



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

January 11, 2024

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 the financial dashboard, first quarter investment report, and past meeting minutes. The committee will also act on the capital projects prioritization and an expenditure authorization request for a design services contract and the SOU Softball project.

Information and discussion items include a vice president's report consisting of a Higher Education Coordinating Commission report and updates on the FY 2023 external audit, Tuition Advisory Council, and the *SOU Forward* plan. The board will also discuss general updates on facilities and capital projects, and the Core Information System Replacement Project. Additional agenda items include an FY 2024 budget update including a budget forecast and review of the pro forma; an FY 2025 Budget Committee update; and a discussion of a financial stability target.

The meeting will occur as follows:

Thursday, January 18, 2024

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

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

Members of the public may view the proceedings at <https://sou.zoom.us/j/81675470904> 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

January 18, 2024

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Call to Order / Roll / Declaration of a Quorum



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

**Thursday, January 18, 2024
5:00 p.m. – 7:00 p.m. (or until business concludes)
Meese Room, Hannon Library, SOU Campus
Zoom: <https://sou.zoom.us/j/81675470904>**

AGENDA

Persons wishing to provide live public comments in the meeting or in writing may sign up at trustees@sou.edu.
Please note: timing is approximate and 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 | October 18, 2023, Minutes | |
| | 3.2 | Finance Committee Dashboard | |
| | 3.3 | FY 24 First Quarter Investment Report | |
| 15 min. | 4 | Reports | |
| | 4.1 | Vice President's Report | Dr. Neil Woolf, SOU,
Executive Vice President |
| | 4.1.1 | Higher Education Coordinating Commission Updates | |
| | 4.1.2 | FY 2023 External Audit Update | |
| | 4.1.3 | Tuition Advisory Council Update | |
| | 4.1.4 | <i>SOU Forward</i> Updates | |
| 10 min. | 5 | Action, Information and Discussion Items | |
| | 5.1 | Core Information System Replacement Project | Tom Battaglia, SOU, Chief
Information Officer |

**Southern Oregon University
Board of Trustees
Finance and Administration Committee Meeting
Thursday, January 18, 2024**

AGENDA (Continued)

15 min.	5.2	FY 2024 Budget Update	President Rick Bailey; Dr. Neil Woolf, SOU, Executive Vice President; Josh Lovern, SOU, Budget Director
	5.2.1	Budget Forecast and Review of Pro Forma	
10 min.	5.3	FY 2025 Budget Committee Update	Dr. Neil Woolf; Josh Lovern
20 min.	5.4	Facilities and Capital Projects	Dr. Neil Woolf; Leon Crouch, SOU, Director, Facilities Management and Planning
	5.4.1	Capital Projects Prioritization (Action)	
	5.4.2	Other General Updates	
	5.4.3	Expenditure Authorization Request: Design Services Contract and SOU Softball Project (Action)	President Rick Bailey; Matt Sayre, SOU, Director of Athletics
20 min.	5.5	Discussion of Financial Stability Target	President Rick Bailey; Dr. Neil Woolf; Josh Lovern
5 min.	5.6	Future Meetings	Chair Franks
	6	Adjournment	Chair Franks

Public Comment

Consent Agenda

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

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Chair Shaun Franks called the meeting to order at 5:01 p.m. He welcomed Dr. Woolf, Josh Lovern, Agnes Maina, and Tom Battaglia; an extra-special welcome and thanks to Penny Burgess from USSE.

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

Committee Members:

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

Other trustees in attendance: Board Chair 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 June 15, 2023 meeting and the financial dashboard. Trustee Clough seconded the motion and it passed unanimously.

Vice President's Report

Higher Education Coordinating Commission (HECC)

Dr. Neil Woolf expressed confidence in and appreciation for his team's work over the past several months. He provided an update on the Higher Education Coordinating Commission (HECC) noting their plans to update their strategic plan and SOU's opportunity to provide input. National Center for Higher Education Management Systems (NCHEMS) and their advocacy may help the process. Dr. Woolf also discussed conversations with the Oregon Council of Presidents regarding direct admissions, which aims to establish a guaranteed pathway to higher education in the state.

Financial Information

Dr. Woolf announced that the SOU administration is considering an external review of the budget and budgeting process. President Bailey expressed support for the idea, emphasizing the importance of an external perspective in providing clarity to the processes. The focus will be on building resiliency, identifying errors, and fostering strategic discussions without overwhelming the team. Feedback from the board retreat will be used to present new information about the budget in a more understandable and comprehensive manner. In addition, Dr. Woolf and President Bailey have engaged with faculty senate and staff assembly, and the university budget committee will be

reinstated. This will enhance transparency, fidelity, and understanding of the budget across the campus community. The committee will review assumptions and serve as an advisory body to the president with input from shared governance partners.

The university has begun bargaining with the Service Employees International Union. Human Resources Director Alana Lardizabal is representing SOU in the statewide process. Dr. Woolf committed to providing updates to the board on the process.

Continuing to Strengthen Emergency Operations

Last year, SOU and the City of Ashland signed an agreement designating SOU as the city's emergency operations center (EOC). The EOC team's assessment of the emergency operations plan has led to feedback for strengthening the plan. The EOC team members will undergo four levels of FEMA training and attend regular meetings. SOU is working on inventories and energy resilience, aligning with sustainability goals. Trustee Thorndike expressed reassurance in the plan and sought future updates including campus responsibility during a crisis.

Action, Information and Discussion Items

Fiscal Year 2024 Revenue Forecast

Starting with enrollment forecasts, student credit hours shown in the pro forma were at 47,499 SCH, higher than predicted for Fall 2023. Regarding state funding, a reconciling or "true-up" from the HECC will occur later in the fall, and this is based on a three-year average influenced by factors like resident status and course mix. There is a special allocation of \$1M for the technical and regional universities and Portland State, but the university is awaiting final rules on the allocation and allowable expenses. Trustees emphasized the importance conservative planning due to uncertainties. President Bailey noted that the Oregon's Public Universities (OPUs) are collaborative about using the special allocation creatively to support students and solve fiscal stability problems.

Trustees commended the new format of the materials, which is a result of feedback from the board's retreat. Mr. Lovern discussed at various points the new modeling of SCH and remissions that contributes to the new format. Remissions had typically been pegged at nine percent of tuition revenue and it has been closer to eleven or twelve percent so it has now been adjusted to eleven percent as an offset to revenue. Trustee Thorndike noted that California is making some significant increases to tuition in the next six years, which could be of benefit to SOU.

Budget Update

Responsive to feedback from the board's retreat, Dr. Woolf presented the new periodic management report and thanked Ms. Maina for her assistance. This report includes the Education & General (E&G) fund, all the auxiliaries, the designated operations, and all the service centers. Trustees Clough and Medina appreciated the new report and Clough suggested adding a column for year-to-date to compare actual performance. Also responsive to feedback from the retreat, Dr. Woolf pointed out that page 16 of the meeting materials provides an analysis of outliers and other areas of significance.

On E&G Labor, President Bailey explained that previously, increases for unclassified staff had not been included in the budget, which has been corrected. While SOU has the smallest percentage of reserves of any OPU and therefore, does not have a safety net, SOU is planning for increases for classified staff. Other personnel expenses (OPE) is showing significant savings based on additional retirements and separations happening since the budget revisions in July. In response to Trustee Gay's question regarding the hiring of new vice presidents, President Bailey is conscious that every executive at SOU could go somewhere else, do the same job, and make more, but he does not want an environment where senior executives create inequities among the other employees and he is confident that SOU can attract good candidates for current vacancies. In sum, Dr. Woolf said SOU is spending less on labor and expects to finish the year within budget.

In reviewing Supplies and Services (S&S), fiscal year projections are exceeding budgeted amounts. President Bailey credited Ms. Maina, for acknowledging the need to cultivate a culture of accountability around the budget. In setting up Workday, "trip wires" will be created in the system to flag departments' spending, which Banner did not allow. Regarding the growth of S&S, Mr. Lovern explained factors that could impact the ending fund balance and gave an example of large increases in utility usage above what SOU has negotiated. This area has inflationary pressures that have not eased up, and could get worse. Dr. Woolf said SOU will focus on the things it can control.

Dr. Woolf reviewed transfers, and a major change is that the federal influx of COVID dollars has discontinued. Transfers are tracking as planned and will return to normal.

As a result, on the E&G ending fund balance (EFB), President Bailey provided an update that in July, costs were projected to exceed revenue but revenue is now expected to exceed costs by about \$218K [or 9.07 percent EFB] in FY 2024 and \$460K [or 9.33 percent EFB] in the next. Mr. Lovern added that SOU will have final numbers for FY 2023 actuals when the external audit is completed. President Bailey said goals are great when there is granularity to them and believed SOU has an opportunity to define reasonable targets based on enrollment trends, as setting goals and targets will help SOU avoid being back in the same position five years from now. SOU has the lowest reserves of the OPUs at about nine percent and the National Association of College and University Business Officers recommends 40 percent.

In the pro forma, overall, the ending fund balance for FY 2024 is projected to be 9.07 percent, up from the budgeted 8.67 percent. President Bailey pointed out three things to keep in mind: 1) nonrecurring revenues have been zeroed out; 2) in 2026, SOU will be back in labor negotiations with faculty (APSOU) with a goal of having money and a position to bargain from instead of saying "we've got nothing," and assuming there will be no increases; and 3) revenue diversification will not be realized until at least 2027. Therefore, savings from solar or additional revenue have not yet been estimated.

Chair Franks suggested future discussion on other key performance indicators and the possibility to have "heat maps" that would provide a sense of what going well, how SOU's budget is performing, and provide a picture of what is happening.

Facilities and Capital Projects (Action)

General Updates

Dr. Woolf explained that Capital Improvement and Renewal (CIR) funding is received through HECC, and upcoming projects including roof repairs, Central Hall basement completion, and renovations to Ed-Psych building. President Bailey highlighted the timeline with funds, noting \$8M due to COVID-related delays. An additional \$1.4M was granted for Central Hall. Dr. Woolf announced a \$1.5M contract for solar panels on The Hawk to increase capacity by 393 kW and President Bailey discussed ongoing projects, including roof replacements, landscape updates, and Cascade demolition.

Expenditure Request for Central Hall, Phase 3

Mr. Leon Crouch described in depth the progress of the Central Hall project—from waterproofing and drainage to electrical panels and HVAC. The funding source for the request will be existing CIR dollars and escalation funding from the state for completing the project. However, SOU is still pursuing additional state funding to complete phase two the project, which internally is referred to as phase 3.

Trustee Gay moved to recommend the approval of the expenditure of capital improvement and renewal of funds in the amount of \$3.5M for continued work on Central Hall, Phase 3. Trustee Medina seconded the motion and it passed unanimously.

Fiscal Year (FY) 2023 Fourth Quarter and Year-End Investment Report

Penny Burgess provided the fourth-quarter report for SOU investments in the Public University Fund (PUF) and university endowment assets. The PUF, managed by the Oregon State Treasury, saw a 1.3 percent total return with a 3.4 percent average investment yield. Despite a \$863K realized loss due to net cash outflows, SOU received \$691K in net investment income. The university's share of unrealized losses was \$375K, and the value of operating assets in the PUF was \$15.5M. Since 2014, SOU has gained over \$4.1M from PUF investments.

The endowment, managed separately, showed a 12.1 percent total return, exceeding the policy benchmark of 10.9 percent. The allocation to the BlackRock All Country World Index fund contributed to positive returns. A \$106K income distribution occurred in September 2023, reflecting a trend of increasing annual distributions over the last 5 years. The endowment's total market value on June 30, 2022, was \$2.78M.

Based on the FY24 cash flow forecast, SOU is estimated to maintain an average cash and investment balance of \$23.6M, slightly below the 5-year average of \$24.2M. It is recommended that SOU keep liquid cash equivalent to 60 days of projected expenditures, with a minimum of 30 days.

Public University Fund Exit for SOU Operating Funds (Action)

Chair Franks noted that SOU holds operating cash within the PUF, which was just described as the vehicle for holding funds. As SOU continues tightening up financial matters, the committee is being asked to make a recommendation to the board regarding SOU's proposed exit from the PUF for its operating funds. This item does not

affect SOU investment funds. Dr. Woolf and Ms. Agnes Maina discussed the asset allocation within the short-term and core bond funds, evaluating if it meets SOU's liquidity needs. The discussion included the FY 24 cash flow forecast, projecting \$22.8M—a balance close to the 60-day average of expenditures.

Penny Burgess explained that SOU invests the majority of its operating assets in the PUF, and the aggressive asset allocation may not align with SOU's needs. Violation of the PUF agreement with balances falling below 30-days of outflows could lead to liquidation. So, SOU has two options: remain in the PUF, actively manage daily cash flows to avoid rule violation, or provide a 180-day termination notice, potentially completing the process in 60 days. Termination involves investing in the Oregon Short-Term Fund (OSTF) and SOU can later rejoin the PUF. Ms. Maina clarified the banking arrangement with OSTF and efforts to align accounting with Workday. Answering Trustee Clough, Ms. Maina said that yes, the \$300K realized loss will appear on the income statement after SOU transfers out of the PUF. Burgess summarized the financial impact of termination, projecting a small benefit to interest earnings in year one and approximately \$70K-80K in net benefit, depending on interest rates.

Trustee Thorndike moved to provide a recommendation to the full Board of Trustees to provide a termination notice to the PUF Administrator for the management of operating assets. Trustee Gay seconded the motion and it passed unanimously.

Core Information System Replacement (CISR) Project Update

Tom Battaglia provided an update on the progress of the CISR project. Mr. Battaglia showed a chart of the \$2.5M budget for this phase of the project, with the extended timeline to February. The project is under budget with only \$1.98M spent thus far. He explained that the three-month burn rate increased significantly due to end-to-end testing being considerably more intense than anticipated.

2024-2025 Committee Meeting Schedule (Action)

Chair Franks reviewed the proposed meeting schedule in the meeting materials. Committee members did not recommend changes. Trustee Gay moved to approve the 2024-'25 meeting schedule. Trustee Thorndike 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 January 18, 2024 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 6:03 p.m.



Public University Fund (PUF)

**Investment Statement
July 1, 2023 - September 30, 2023
Q1 FY24**

Southern Oregon University
Agnes Maina, Controller
1250 Siskiyou Blvd
Ashland, OR 97520

**Quarter-to-Date
as of 09/30/2023**

Beginning Market Value	\$15,487,074
+ Contributions	8,463,876
- Withdrawals	-
+/- Change in Market Value	(292,558)
Ending Market Value	\$23,658,392

Units Owned 250,889.189
Price per Unit \$94.29817

	<u>Quarter-to-Date</u>	<u>Year-to-Date</u>
Gross Investment Earnings	\$209,713	\$209,713
Participant Fees	(7,268)	(7,268)
Participant Fee Credit	1,005	1,005
Net Investment Earnings	<u>\$203,450</u>	<u>\$203,450</u>

Realized Gain/(Loss) on Sale of Investments - -
Unrealized Gain/(Loss) on Investments (672,095)

Questions? Please contact Mary Hatfield, 541.737.0843

mary.hatfield@oregonstate.edu

FY2024 Q1 Investment Reports

BACKGROUND

The Southern Oregon University (university) investment report for the first quarter (Q1) of FY2024 is presented in the following sections:

- **FY2024 Q1 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.
- **FY2024 Q1 Market Commentary** – This section provides a general discussion of the investment markets and related performance data for the first quarter of FY2024 (i.e., July 1 – September 30, 2023).

FY2024 Q1 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 September 30, 2023, SOU had \$23.6 million on deposit in the PUF. The PUF decreased 0.1% for the quarter and fiscal year-to-date. The PUF’s three-year and five-year average returns were -0.1% and 1.8%, respectively.

The Oregon Short-Term Fund increased 1.1% for the quarter, underperforming its benchmark by 20 basis points. The Core Bond Fund decreased 0.7% for the quarter, outperforming its benchmark by 10 basis points. The PUF investment yield was 1.0% for the quarter.

Following a rapid 50 basis point interest rate increase for intermediate-term bonds during the quarter, the Oregon State Treasury investment officers found attractive opportunities in the high-quality mortgage-backed securities sector, offering yields of 186 basis points over Treasuries, and increasing the Core Bond Fund’s sector weight 5.7% to 9.5%.

Southern Oregon University Endowment Fund

The SOU Endowment Fund (Fund) decreased 3.9% for the quarter, underperforming its policy benchmark by 60 basis points. The three-year average return was 3.5% compared to 3.3% for the benchmark. The Fund ended the quarter with a balance of \$2.6 million.

The majority of the Fund’s assets (75.0%) are allocated to a global equity index strategy, while 25% of the portfolio is allocated to an “actively” managed fixed income fund. For the three months ended September 30, 2023, the Blackrock All-Country World Index decreased 3.4%, equal to its benchmark. The Western Asset Core Plus Bond Fund returned -5.3%, underperforming the Bloomberg Barclays U.S. Aggregate Bond Index by 2.1%.

Southern Oregon University

Investment Summary as of September 30, 2023

(Net of Fees)

	Quarter Ended 9/30/2023	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	1.1%	1.1%	0.4%	1.7%	1.9%	1.5%	\$ 7,264,150	30.7%	1
Benchmark - 91 day T-Bill	1.3%	1.3%	0.5%	1.7%	1.7%	1.1%			
PUF Core Bond Fund	-0.7%	-0.7%	-2.7%	-1.8%	1.6%	N/A	16,394,242	69.3%	1
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index ²	-0.8%	-0.8%	-3.1%	-2.9%	1.0%	1.4%			
Public University Fund Total Return	-0.1%	-0.1%	-1.5%	-0.1%	1.8%	N/A	<u>\$ 23,658,392</u>	<u>100.0%</u>	
Public University Fund Investment Yield ³	1.0%	1.0%	0.6%	2.2%	2.6%	N/A			
SOU Endowment Assets									
BlackRock ACWI IMI B	-3.4%	-3.4%	-6.6%	7.1%	6.3%	7.7%	\$ 1,926,000	75.0%	75.0%
Benchmark - MSCI ACWI IMI Net	-3.4%	-3.4%	-6.6%	6.9%	6.1%	7.4%			
Western Asset Core Plus Bond Fund	-5.3%	-5.3%	-6.3%	-7.1%	-0.8%	1.5%	639,826	24.9%	25.0%
Benchmark - Bloomberg Barclays Aggregate Index	-3.2%	-3.2%	-4.8%	-5.2%	0.1%	1.1%			
Cash	1.1%	1.1%	0.4%	1.7%	1.9%	1.5%	2,157	0.1%	0.0%
Benchmark - 91 day T-Bill	1.3%	1.3%	0.5%	1.7%	1.7%	1.1%			
Total Endowment Assets	-3.9%	-3.9%	-6.4%	3.5%	4.7%	6.4%	<u>\$ 2,567,983</u>	<u>100.0%</u>	
Policy Benchmark ⁴	-3.3%	-3.3%	-6.0%	3.3%	4.6%	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

September 30, 2023

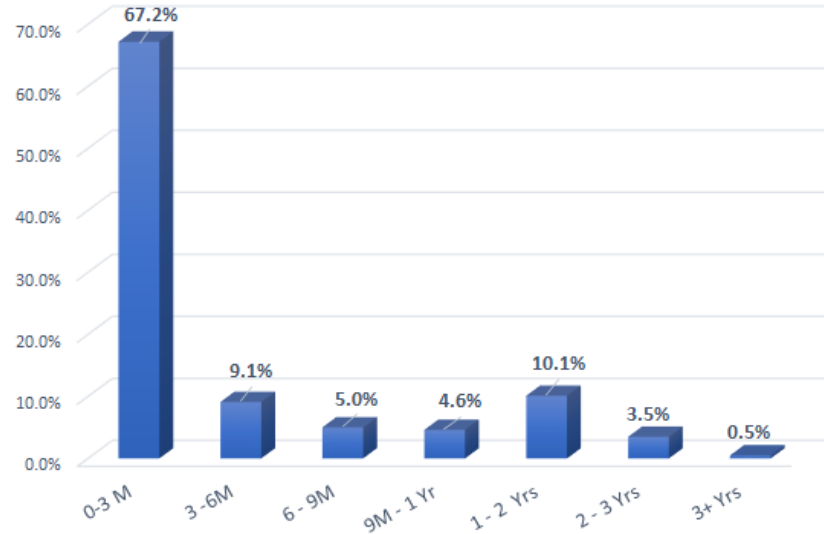
Portfolio Characteristics

Market Value 09/30/2023	\$ 167,442,962
Weighted Average Credit Quality	AA
Book Yield (%)	5.00%
Weighted Average Maturity (years)	151 Days
Duration (years)	0.37
Spread Duration (rate)	0.66

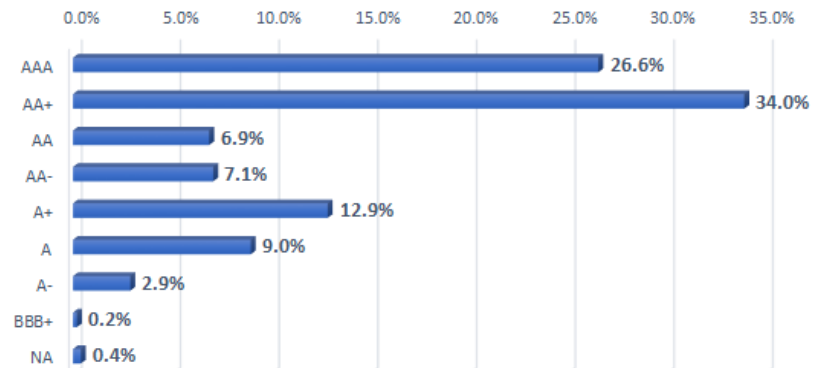
Top 10 Issuers

United States Treasury	30.9%
JPMorgan Chase & Company	2.6%
Federal Home Loan Banks	2.6%
Royal Bank of Canada	2.5%
Canada Pension Plan Investment Board Capital Incorporated	2.2%
Bank of America Corporation	1.7%
Toyota Motor Credit Corporation	1.6%
Bank of Montreal	1.3%
CDP Financial Incorporated	1.3%
Goldman Sachs Group Incorporated	1.2%
Total	47.9%

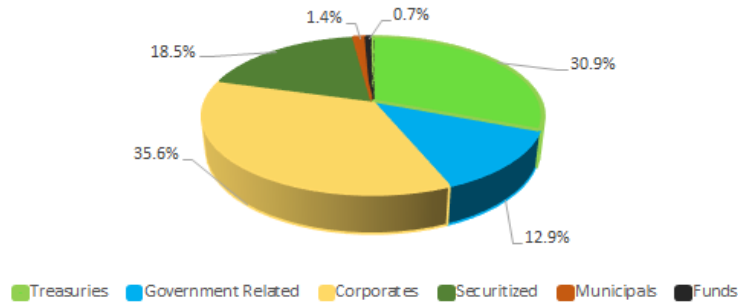
Maturity Breakdown



Credit Quality Distribution



Sector Allocations



Source: Oregon State Treasury

Core Bond Fund

September 30, 2023

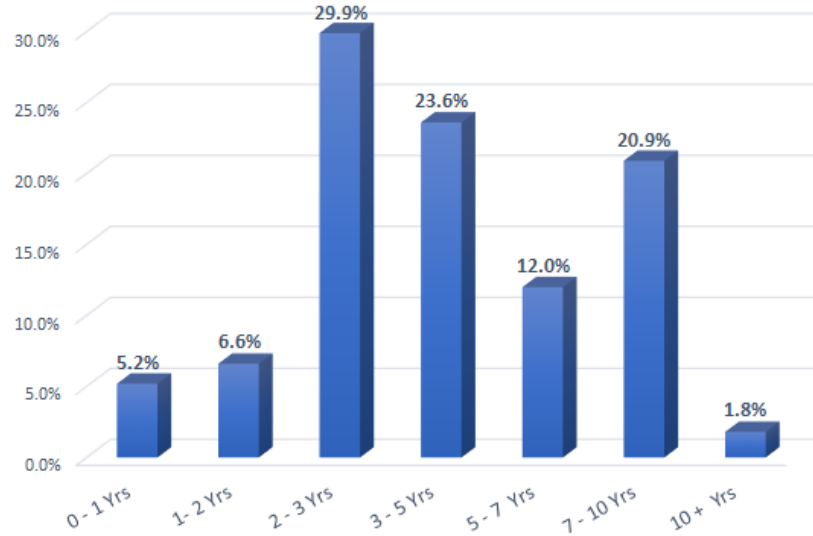
Portfolio Characteristics

Market Value 09/30/2023	\$ 377,896,993
Weighted Average Credit Quality	AA-
Book Yield (%)	4.74%
Weighted Average Maturity (years)	4.80
Duration (years)	3.90
Spread Duration (rate)	1.79

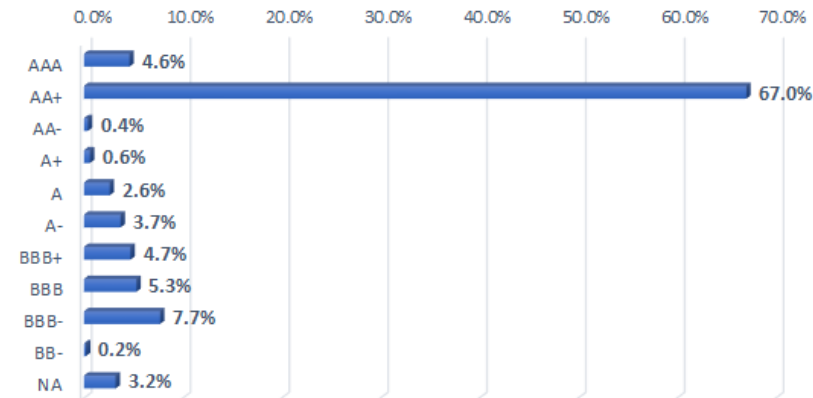
Top 10 Issuers

United States Treasury	53.6%
Federal National Mortgage Association	4.7%
Federal Home Loan Mortgage Corporation	4.5%
F&G Global Funding	2.7%
Rexford Industrial Realty Incorporated	2.4%
Agree Realty Corporation	2.3%
Charles Schwab Corporation (The)	1.8%
Ford Credit Trust 22-C	1.8%
Gracie Point International Funding	1.8%
Oscar US Funding Trust	1.6%
Total	77.2%

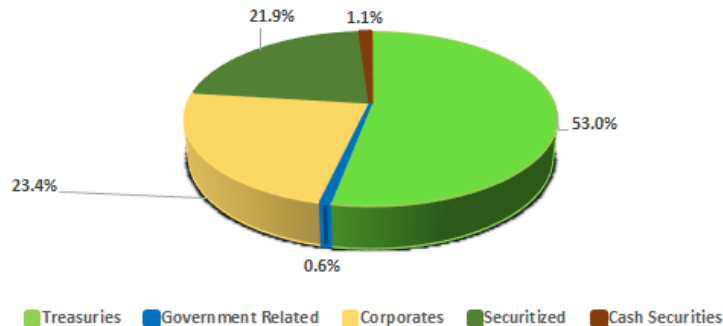
Maturity Breakdown



Credit Quality Distribution



Sector Allocations



Source: Oregon State Treasury

FY2024 Q1 MARKET COMMENTARY

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

Report on Investments – as of September 30, 2023

Economic and Market Update

After a strong July, global assets turned negative in August and September as expectations shifted to the Federal Reserve keeping interest rates higher for longer. Weakening economic data from Europe and China, as well as further instability in the Chinese real estate sector and a strong U.S. dollar, weighed on results.

- The Federal Open Markets Committee (FOMC) increased policy rates in July by 0.25% to a range of 5.25% - 5.50% and maintained this range at their September meeting. Markets are now largely expecting the FOMC to hold interest rates at this level through the first half of the next calendar year.
- U.S. equity markets (S&P 500) fell in the third calendar quarter (-3.3%), bringing the calendar year-to-date gains to 13.1%. The technology sector remains the key driver of results this calendar year, helped by artificial intelligence optimism.
- Non-U.S. developed equity markets declined more than the U.S. in the third calendar quarter ((Morgan Stanley Capital International (MSCI) Europe, Australia, and Far East (EAFE) -4.1%) with the strength of the U.S. dollar adding 2.8% to the quarterly declines.
- Emerging market equities experienced the smallest declines in the third calendar quarter (-2.9%). Negative results were driven by China and again the strong U.S. dollar. Emerging markets continue to significantly trail developed market equities year-to-date, returning just 1.8%, again driven by China.
- Interest rates generally rose over the quarter, particularly for longer-dated maturities. The broad U.S. bond market (Bloomberg U.S. Aggregate) fell (-3.2%) for the quarter and turned negative (-1.2%) calendar year-to-date, as higher income has offset capital losses from rising rates.

For the rest of this calendar year, the paths of inflation and monetary policy, slowing global growth, and the wars in Ukraine and Israel will all be key. After a difficult 2022, most public market assets are up thus far in 2023, led by developed market equities. While hopes for a soft landing remain in place, the prospect of higher interest rates for longer weighed on market sentiment in August and September.

Market Returns¹ September 30, 2023

	Month	Quarter	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
S&P 500	-4.8%	-3.3%	13.1%	21.6%	10.2%	9.9%	12.2%	11.9%
MSCI EAFE-ND	-3.4%	-4.1%	7.1%	25.6%	5.8%	3.2%	5.3%	3.8%
MSCI EM-ND	-2.6%	-2.9%	1.8%	11.7%	-1.7%	0.6%	3.2%	2.1%
MSCI China-ND	-2.8%	-1.9%	-7.3%	5.2%	-14.3%	-4.2%	0.7%	1.7%
Bloomberg US Aggregate	-2.5%	-3.2%	-1.2%	0.6%	-5.2%	0.1%	-0.1%	1.1%
Bloomberg US TIPS	-1.8%	-2.6%	-0.8%	1.2%	-2.0%	2.1%	1.5%	1.7%
Bloomberg US Corporate High Yield	-1.2%	0.5%	5.9%	10.3%	1.8%	3.0%	3.8%	4.2%
ICE BofAML US 3-Month Treasury Bill	0.5%	1.3%	3.6%	4.5%	1.7%	1.7%	1.5%	1.1%
ICE BofAML 1-3 Year US Treasury	0.0%	0.7%	1.7%	2.5%	-0.8%	1.1%	0.8%	0.8%
ICE BofAML 10+ Year US Treasury	-7.1%	-11.4%	-8.2%	-8.6%	-15.2%	-2.5%	-3.2%	0.8%

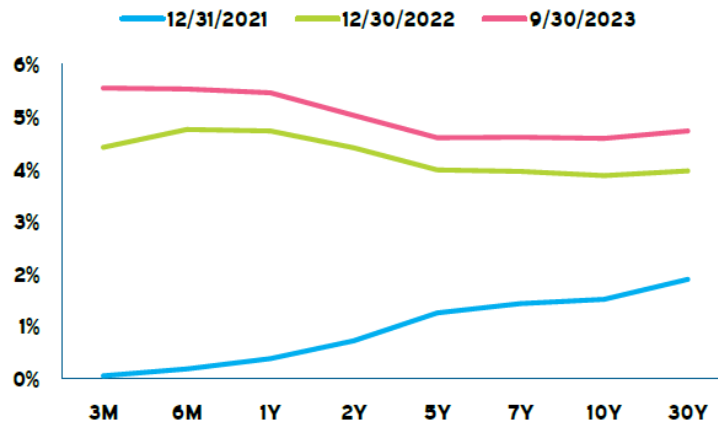
¹Source: Oregon State Treasury

U.S. Equities: U.S. stocks fell 3.3% in the third calendar quarter as healthy economic data and comments from the Fed caused investors to expect interest rates to remain higher for longer. Large cap stocks outperformed small cap stocks during the quarter, bringing their calendar year-to-date outperformance to over 10%. The so called “Magnificent Seven” within the large cap market drove most of this outperformance despite a weak third calendar quarter. Energy strongly led the way during the quarter posting double-digit gains while most other sectors declined. Oil prices rose after Saudi Arabia and Russia extended output cuts. Except for energy, which benefited from rising oil prices, all sectors were down in the third calendar quarter. So far in 2023, the communication services (+38.1%) and technology (+33.0%) sectors had the best results on artificial intelligence optimism. Given the continued strength of the U.S. consumer, the consumer discretionary sector gained (+23.3%), while more defensive sectors like utilities (-16.9%) and consumer staples (-6.0%) have trailed.

International Equities: Developed international equities (MSCI EAFE) fell 4.1% in the third calendar quarter bringing the calendar year-to-date gain to 7.1%. Emerging market equities (MSCI Emerging Markets (EM) fell 2.9% in the period, rising 1.8% calendar year-to-date. Eurozone shares felt pressure from slowing gross domestic product (GDP) growth and an interest rate hike by the European Central Bank (ECB), despite cooling inflation. By contrast, the UK saw modest gains amid promising economic data including slowing inflation and GDP back to pre-pandemic levels. Japan outperformed regional peers for the quarter due in part to strong earnings. Emerging market performance, while negative, outpaced developed peers. Chinese markets experienced losses in-line with other emerging market countries, driven largely by unease surrounding property company Evergrande and a continued lackluster reopening of the economy.

Fixed Income: The broad U.S. bond market (Bloomberg Aggregate) fell 3.2% for the quarter bringing calendar year-to-date results into negative territory. The broader Treasury Inflation-Protected Securities (TIPS) index fell by 2.6%, while the less interest-rate-sensitive short-term TIPS index outperformed.

US Yield Curve¹



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

Overall interest rates have continued to increase this year, particularly at the policy sensitive front-end of the yield curve, but at a much slower pace compared to last calendar year. Over the quarter, short-term interest rates (two years or less) increased slightly as monetary policy moves closer to its terminal rate for this cycle. By contrast, longer-term rates rose dramatically as U.S. debt was downgraded and investors came to terms with rates remaining higher for longer. The ten-year Treasury yield increased from 3.8% to 4.6% over the quarter. The yield curve's inversion decreased with the spread between two-year and ten-year Treasuries finishing the quarter at -0.47% (-1.05% on 6/30/2023).

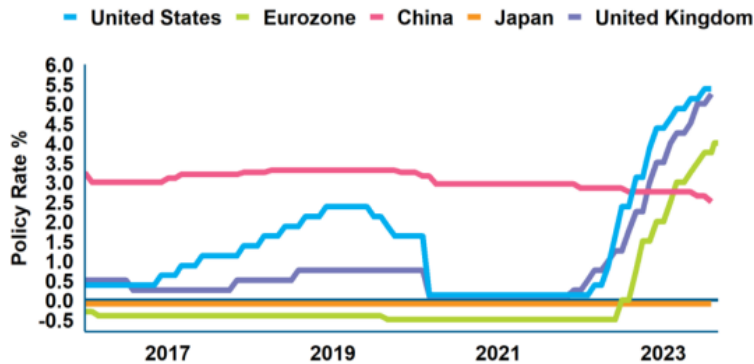
Credit spreads (the added yield above a comparable maturity Treasury) largely remained unchanged over the quarter. High yield spreads remain well below the long-term average given the overall risk appetite this year. Investment grade and emerging market spreads are also below their respective long-term averages, but by smaller margins.

Global Economic Outlook

Global economies are expected to slow this year compared to 2022. The risk of recession remains elevated given policymakers' aggressive tightening, but optimism has started to grow over some central banks potentially navigating a soft landing. The delicate balancing act of central banks trying to reduce inflation without dramatically disrupting labor markets and depressing economic growth, will remain key.

Slowing inflation and growth have led to expectations for a reduction in the pace of aggressive policy tightening. In July the Fed raised rates another 25 basis points to a range of 5.25% to 5.50% and then kept rates unchanged at their September meeting. Markets are expecting one more hike during calendar 2023. The ECB also increased rates in July, with an additional hike in September, but rates remain lower than in the U.S. In Japan, expectations have increased that the Bank of Japan will end its negative interest rate policy due to rising inflation. The central bank in China 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.

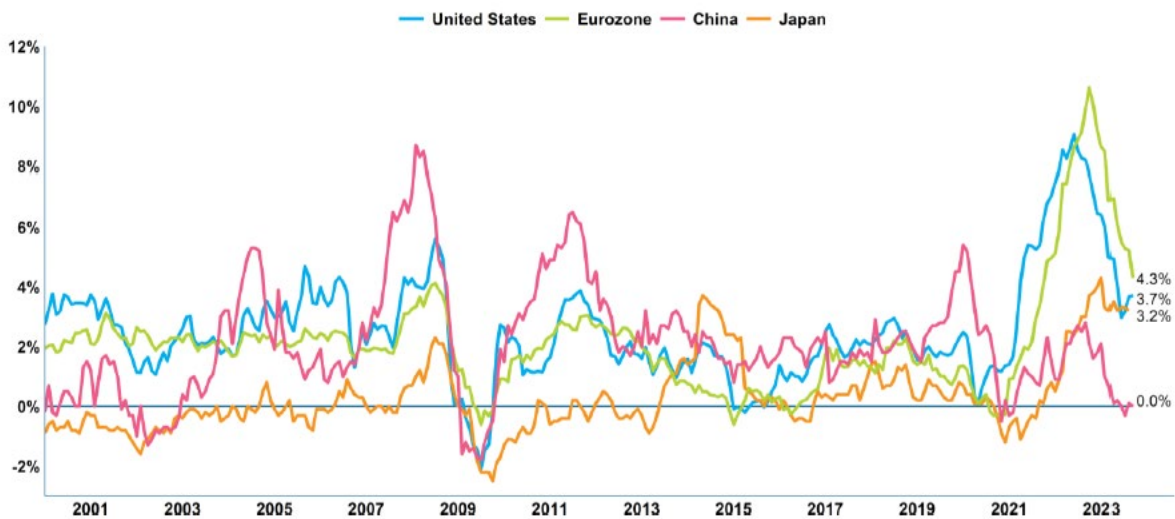
Policy Rates



Source: Bloomberg. Data is as of September 30, 2023. China policy rate is defined as the medium-term lending facility 1 year interest rate.

Risks remain for a policy error as central banks attempt to balance the harnessing of inflation, maintaining financial stability, and supporting growth.

Inflation (CPI Trailing Twelve Months)¹



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

The inflation picture remains mixed across the major economies. In the U.S., inflation was flat at 3.7%, influenced by rising shelter costs, while eurozone inflation remained higher than the U.S. at 4.3%, a level well off its peak, however. Despite 2023's significant declines in the U.S. and Europe, inflation levels remain elevated compared to central bank targets. Inflation in Japan has increased to levels not seen in almost a decade largely driven by food and home related items. In China, deflationary pressures eased but prices were flat from a year prior.

Overall, the U.S. labor market remains healthy with the unemployment rate relatively low, wage growth now positive in real terms, and initial claims for unemployment staying subdued. The pace of wage growth has slowed though, and despite remaining elevated, the number of job openings has declined from recent highs. In September, unemployment remained at 3.8%, a

level only 0.2% higher than at the start of the quarter. The labor force participation rate remained at 62.8%, well off the lows of the pandemic (60.1%) but not back to pre-pandemic levels (63.3%). Broader measures of unemployment (U-6) finished the quarter at 7.0%, up only slightly from the end of June (6.9%). 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.

Summary - Key Trends:

- The impact of inflation still above policy targets will remain key, with bond market volatility likely to stay high.
- Global monetary policies could diverge going forward. 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 forecasted to tip into recession. However, optimism has been building that some economies could experience a soft landing. Inflation, monetary policy, and the war will all be key.
- The key for U.S. equities going forward will be whether earnings can remain resilient if growth continues to slow. Also, the future paths of the large technology companies that have driven market gains will be important.
- Equity valuations remain lower in emerging and developed markets, but risks remain, including the potential for recent strength in the U.S. dollar to persist, higher inflation weighing particularly on Europe, and China's sluggish economic reopening and on-going weakness in the real estate sector. Japan's recent hint at potentially tightening monetary policy along with changes in corporate governance in the country could influence relative results.
- After month-end, heightened tensions in Israel could add to overall uncertainty and drive safe haven flows.

Vice President's Report

Core Information System Replacement Project



Introduction. CISR update through January 5, 2024. Information may change by the time of the board meetings.

I do have updated information as of close of business today, so thank you for understanding how dynamic this project is.

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

	September	October	November	December	January 2024
E2E Testing	Complete				
Parallel Payroll 1		Complete			
Parallel Payroll 2			Complete		
Deploy			Soft launch Dec. 18 - Complete		Full Go-Live 01/02/24

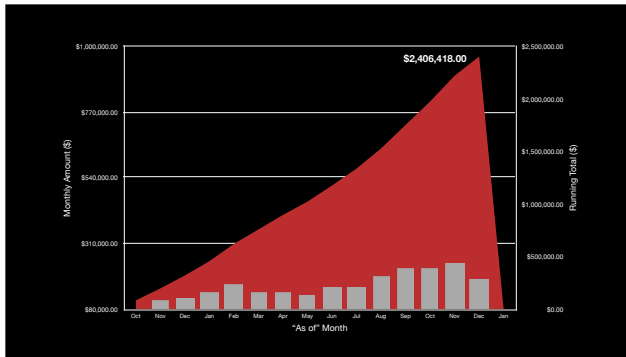
- The current status of the project is good. The team is keeping pace with the timeline.
- We soft-launched time tracking for hourly employees successfully on December 18th.
- We launched the full product to campus on January 2, 2024.
- The team is tired, but they made it!

Phase 1: Parallel Payroll Testing

2 Payroll Runs

99% Accuracy

- Parallel payroll testing began on October 9th with Alchemy lead on site with payroll team.
- Two runs were 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.
- **SOU hit 99% accuracy at the end of the second run of testing!**



You can see that in Aug - Love spending increased. This is due to the intensity of E2E testing.
 It should relax a bit now, as the Alchemy involvement is lower this month. We've spent \$2,406,418.00. The originally budgeted amount before the extension was \$2,489,000.

$$\begin{array}{r}
 \$2,489,000.00 \\
 - \$2,406,418.00 \\
 \hline
 \$82,582.00
 \end{array}$$

$$\frac{\$2,406,418.00}{\$2,489,000.00} = 97\%$$

So....we have just under \$100K left or about 3% of the pre-determined budget remaining.
 This is even with the extension and the addition of several extra modules. We do have one more invoice to hit, and we will therefore go slightly over; however,
 this is a result of also adding some extra modules that we chose to add (Workday Projects, Workday Docs) plus the timeline extension.

Phase 2: Student - Pre-Planning

3 Months

3/24 Kickoff

- Pre-planning for Student has begun.
- Project team membership assignments have been made.
- Critical path resources are being identified ahead of time.
- Backfill considerations will be made.
- Training is being made available early for all team members.
- We are doing everything we can to take our lessons learned from the first phase and apply them to the Student phase to alleviate the pressure on our colleagues and to keep the project moving at an appropriate velocity.

FY 2024 Budget Update

AGENDA/Roadmap

- Revenue Forecast
- Discovery Analysis
- Process Improvement & Refinement
- Pro forma review
 - Revenues
 - Labor
 - S&S
 - Transfers
 - Fund Balance

Revenue Forecast

UPDATE ON STATE FUNDING

- TRU + PSU Special Allocation
 - Second Tranche expectations
 - HECC special meeting 1/19/2024
- Benefits Navigator funding & expense removed from E&G
- HECC 'True-up' and SSCM update November 2023
 - FY24 SSCM final resulted in -\$162,733 from July HECC projection
 - FY25 SSCM projection updated per 49/51 rule; reduced by -\$169,375

UPDATE ON E&G PROJECTIONS

- SOU Forward update

Discovery Through Variance Analysis

- Pro forma estimates were not matching the actual revenues as recorded after Fall '23 completion
 - Winter '24 SCH reported by IR on 1/11/24 was lower than projected on the SCH model
- Analysis revealed that OLLI and TRNG rate codes were transmitted as standard UG Res rate (\$215/sch) in the main data set the pro forma uses to create projections
 - We receive \$0 tuition revenue from those students
- FY 24 (current budget year) over-projected revenue by \$847,457
- FY 25 over-projected revenue by \$926,256

UG Res Tuition Impact AY23 - 25

<u>Term Code</u>	<u>Amount</u>	<u>Term Year</u>
202301	\$ (290,035)	Fall 23
202302	\$ (288,737)	Winter 24
202303	\$ (284,693)	Spring 24
202304	\$ (8,992)	Summer 24
FY24:	\$ (872,457)	
202401	\$ (296,862)	Fall 24
202402	\$ (317,980)	Winter 25
202403	\$ (302,107)	Spring 25
202404	\$ (9,306)	Summer 25
FY25:	\$ (926,256)	

Notes:

- Tuition estimate for FY25 assume 4.99% rate increase
- The problem continues to compound into the future...

Refinement Efforts

Efforts Underway:

- Validation of data into budget models
 - “Data Summit”
- Pro forma formulas validated and updated quarterly
- Institutional Budget Committee (IBC) started
- Enhanced Periodic Management Report (PMR)

Forthcoming:

- External review kicked-off Jan. 16th
- Update to enrollment reporting to better distinguish non-admitted student types
 - Example: OLLI & Staff Training
- “Trip-wire” development in process in Workday
- Resilient process improvement with new VPFA

E&G Revenues

	2021-23 Biennium	2023-25 Biennium			2025-27 Biennium	
	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)	27,001	28,157	27,879	29,002	30,158	31,373
Tuition	33,178	34,711	33,554	35,218	36,458	37,987
Fees	4,254	4,157	3,819	4,367	4,444	4,670
Raider Aid (remissions)	(4,002)	(4,055)	(4,333)	(4,114)	(4,259)	(4,438)
<i>Oth tuition & fee adjustments</i>		200	200	200		
Tuition, net of Raider Aid	33,430	35,013	33,239	35,670	36,643	38,219
<i>Growth Opportunities</i>						
<i>Non-Recurring 1-Time Revenue</i>		1,000	1,000	1,000	1,000	
Misc. Other Revenue	3,933	3,675	4,061	3,857	3,993	4,161
TOTAL REVENUES	64,364	67,846	66,180	69,530	71,794	73,753

REVENUE PROJECTIONS & OBSERVATIONS

- Analysis resulted in update to tuition & fee revenue projections
- Remissions: \$200k planned reduction to remissions via lotto forthcoming
 - \$200k continued lotto offset to remissions in FY25
- TRU + PSU
 - 1st tranche realized for FY24
 - 2nd tranche estimates added for FY25 & FY26

E&G Labor

	2021-23 Biennium	2023-25 Biennium			2025-27 Biennium	
	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)
<u>Personnel Services</u>						
Faculty	(14,626)	(14,539)	(14,524)	(14,048)	(14,334)	(14,757)
Unclassified Staff	(10,229)	(10,174)	(10,079)	(9,815)	(9,780)	(10,002)
Classified Staff	(6,845)	(7,335)	(6,989)	(7,024)	(7,198)	(7,409)
Students, GA's, etc	(1,365)	(1,787)	(1,411)	(1,654)	(1,638)	(1,705)
Salaries Sub-total	(33,065)	(33,835)	(33,003)	(32,541)	(32,950)	(33,873)
PERS & ORP (Retirement Pgms)	(7,890)	(8,323)	(7,993)	(8,408)	(8,513)	(8,752)
PEBB (Healthcare)	(7,907)	(8,651)	(8,157)	(8,584)	(9,013)	(9,464)
Other (FICA, SAIF, OPL, etc.)	(2,683)	(3,423)	(3,028)	(3,292)	(3,333)	(3,426)
OPE Sub-total	(18,480)	(20,397)	(19,178)	(20,283)	(20,859)	(21,642)
<i>Vacancy Adj.</i>		250				
<i>Other Adj. to Labor</i>		(260)				
Net Personnel Services	(51,545)	(54,241)	(52,181)	(52,825)	(53,810)	(55,514)

LABOR PROJECTIONS & OBSERVATIONS

- Faculty – tracking as anticipated
- Unclassified COLA planning
- Classified salary projection
 - Still in FY24 budget (blue column, yellow cell) at DAS level
 - FY24 projection (green column) will be updated when settled
- Student labor projection continues to show flat compared to last FY
- OPE Estimates showing significant savings from budget
 - PEBB cost projections for FY25 and onward have been re-baselined

Supplies & Services

	2021-23 Biennium	2023-25 Biennium			2025-27 Biennium	
	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)
S&S Expenses	(12,821)	(12,292)	(12,952)	(12,568)	(12,851)	(13,140)
AP Program Share (AP)	(1,104)	(1,128)	(1,156)	(1,085)	(1,065)	(1,064)
Capital Expenses (CapEx)	(99)	(240)	(143)	(246)	(251)	(257)
<i>Program Investment</i>						
<i>S&S Adjustments</i>						
Total S&S, CapEx, AP	(14,024)	(13,660)	(14,251)	(13,899)	(14,168)	(14,461)
1x Cost Reductions, Savings, Outside Support				As Modeled	As Modeled	As Modeled
Recurring S&S Cuts				0	0	750
<i>Personnel and S&S before Transfers</i>	(65,569)	(67,901)	(66,432)	(66,724)	(67,977)	(69,225)

SUPPLIES & SERVICES (S&S) PROJECTIONS & OBSERVATIONS

- S&S Full fiscal year projections are currently exceeding budget
 - Some unexpected increases include:
 - Title IV & Clery outsourcing
 - Building Repairs
 - Capital Expense projections downgraded slightly

Transfers

	2021-23 Biennium	2023-25 Biennium			2025-27 Biennium	
	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)
Budgeted Transfers (In & Out) <i>Transfers Adjustments</i>	(3,304)	(2,822)	(2,822)	(2,748)	(2,800)	(2,888)
Transfers Net (excluding relief funds)	(3,304)	(2,822)	(2,822)			
Federal Relief Funds Transferred to E&G	3,312	2,879	2,879			
Transfers Net (In & Out of E&G)	8	57	57	(2,748)	(2,800)	(2,888)

TRANSFERS PROJECTIONS & OBSERVATIONS

- No Changes from last update
- Reminder:
 - 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			2025-27 Biennium	
	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)
Change in Fund Balance	(1,197)	1	(195)	57	1,017	1,640
Beginning Fund Balance	6,886	5,883	5,689	5,494	5,551	6,568
Ending Fund Balance	5,689	5,884	5,494	5,551	6,568	8,207
% Operating Revenues	8.84%	8.67%	8.30%	7.98%	9.15%	11.13%
Gross Tuition Contribution Ratio	50.6%	51.2%	50.6%	50.7%	51.5%	52.7%
Net Tuition Dependency Ratio	51.9%	51.6%	50.2%	51.3%	51.0%	51.8%
Days of Operations	30.15	30.37	28.95	29.16	33.87	41.54
Months of Operations	1.00	1.01	0.97	0.97	1.13	1.38

FUND BALANCE PROJECTIONS & OBSERVATIONS

- Current fund balance projection declined from October analysis
- Continued monitoring to achieve $R \geq C$

****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 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)
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<i>Growth Opportunities</i>						
<i>Non-Recurring 1-Time Revenue</i>		1,000	1,000	1,000	1,000	
Misc. Other Revenue	3,933	3,675	4,061	3,857	3,993	4,161
TOTAL REVENUES	64,364	67,846	66,180	69,530	71,794	73,753
EXPENSES & TRANSFERS						
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<i>Other Adj. to Labor</i>		(260)				
Net Personnel Services	(51,545)	(54,241)	(52,181)	(52,825)	(53,810)	(55,514)
<i>Supplies & Services (S&S)</i>						
S&S Expenses	(12,821)	(12,292)	(12,952)	(12,568)	(12,851)	(13,140)
AP Program Share (AP)	(1,104)	(1,128)	(1,156)	(1,085)	(1,065)	(1,064)
Capital Expenses (CapEx)	(99)	(240)	(143)	(246)	(251)	(257)
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1x Cost Reductions, Savings, Outside Support				As Modeled	As Modeled	As Modeled
Recurring S&S Cuts				0	0	750
<i>Personnel and S&S before Transfers</i>	(65,569)	(67,901)	(66,432)	(66,724)	(67,977)	(69,225)
Net from Operations Before Transfers	(1,205)	(56)	(252)	2,806	3,817	4,528
Budgeted Transfers (In & Out)	(3,304)	(2,822)	(2,822)	(2,748)	(2,800)	(2,888)
<i>Transfers Adjustments</i>						
Transfers Net (excluding relief funds)	(3,304)	(2,822)	(2,822)			
Federal Relief Funds Transferred to E&G	3,312	2,879	2,879			
Transfers Net (in & Out of E&G)	8	57	57	(2,748)	(2,800)	(2,888)
TOTAL EXPENSES & TRANSFERS	(65,561)	(67,845)	(66,375)	(69,472)	(70,777)	(72,114)
TOTAL EXPENSES (excluding Federal Relief)	(68,865)	(70,667)	(69,197)			
FUND BALANCE						
Change in Fund Balance	(1,197)	1	(195)	57	1,017	1,640
Beginning Fund Balance	6,886	5,883	5,689	5,494	5,551	6,568
Ending Fund Balance	5,689	5,884	5,494	5,551	6,568	8,207
% Operating Revenues	8.84%	8.67%	8.30%	7.98%	9.15%	11.13%
Gross Tuition Contribution Ratio	50.6%	51.2%	50.6%	50.7%	51.5%	52.7%
Net Tuition Dependency Ratio	51.9%	51.6%	50.2%	51.3%	51.0%	39.8%
Days of Operations	30.15	30.37	28.95	29.16	33.87	41.54
Months of Operations	1.00	1.01	0.97	0.97	1.13	1.38

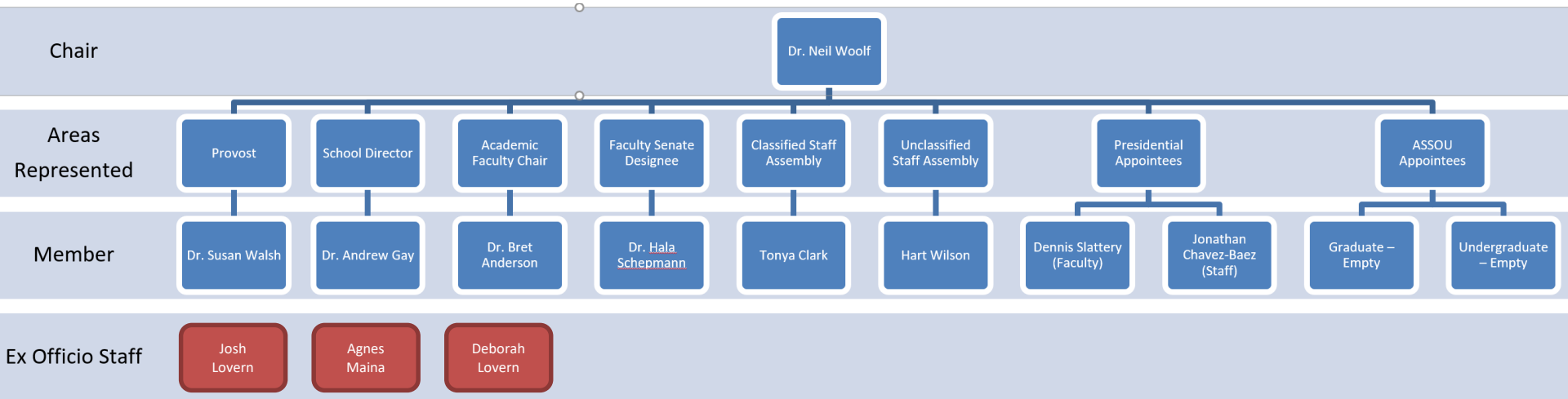


Fiscal Year 2025 Budget Committee Update

Institutional Budget Committee: President's Charge

- Review and advise the president on the creation of an annual budget in a multi-year planning context
- Maintain a highly transparent, informative and participatory budgeting process
- Integrate campus strategic planning with the budgeting process
- Analyze the budget context (e.g., state funding, environmental factors, etc.) and its impact on the institution

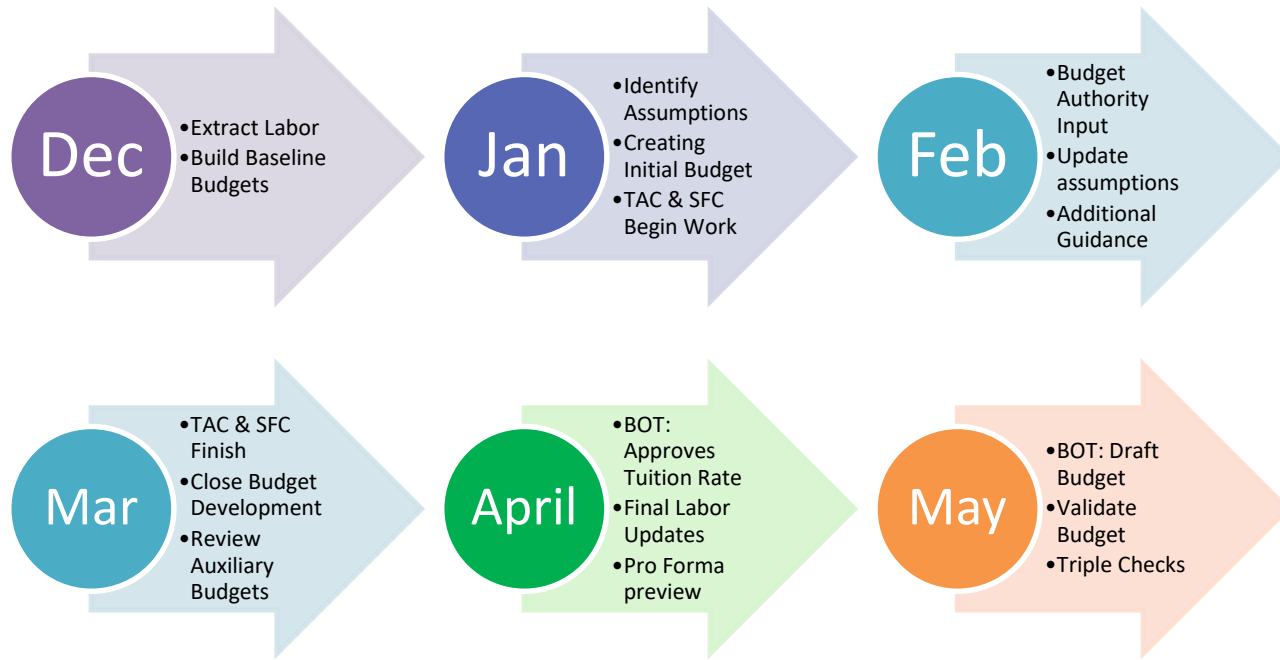
Committee Membership



Committee Update

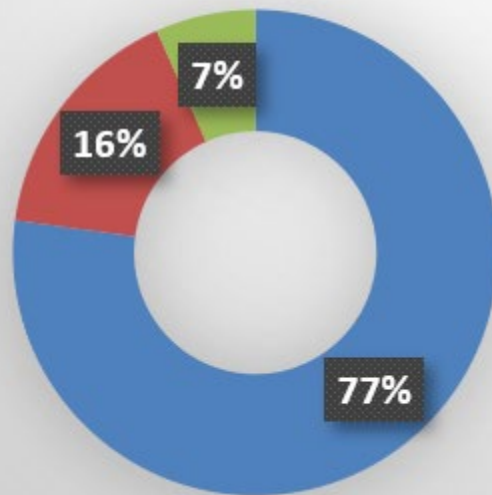
- Immediate training will include:
 - Revenues:
 - Student Success & Completion Model (SSCM)
 - Tuition setting process, SCH modeling
 - Other revenues
 - Expenses:
 - Labor projections
 - Other Personnel Expenses (OPE)
 - S&S
 - Transfer Expenses
 - E&G Support
 - Planning assumptions

Budget Development Schedule



Board-Adopted Budgets

Relative %'s of FY 2024 Board Adopted Budgets



■ E&G - \$67,844,298

■ Auxiliaries - \$14,256,140

■ Des-Ops & Svc Ctrs - \$5,857,608

Facilities and Capital Projects

Facilities Management and Planning Capital Construction Updates Roadmap

- 2025-27 Capital Projects Prioritization
- Central Hall Construction Updates
- Solar Project Updates

2025-2027 Capital Prioritization



- SOU's prioritization of capital projects remains unchanged
- 2025-2027 project request due April 2024
- SOU intends to resubmit Creative Industries for funding
- Project's estimated budget is unchanged from previous submission of \$43M.

2025-2027 Capital Prioritization

(these will look familiar!)



Priority	Project	Estimated Cost	Funding	Remarks
1	Creative Industries Center and Digital Media Conversion	\$43M (Contains healthy escalation contingency)	\$41M XI-Q \$2M SOU matching funds	OCA and DMC synergy... Great recruiting! DMC=> wrestling (corrects Title IX)
2	Central Hall Phase 4 (Top Level)	\$6M	Short Session?	SOU has committed CIR \$ to Phase 3
3	Stevenson Union Mechanical Repairs	\$12M	\$6M XI-G \$6M XI-F	HVAC at end of useful life
4	Affordable Housing (Greensprings)	\$25M	\$25M XI-F or P3	P3 opportunity (admin, lodging, conference programs)
5	Business Sustainability Center at The Farm (old farm house)	\$2.5M	\$2.4M XI-Q \$.1M Gifts	BCE, STEM & Sustainability programs

Central Hall Phase 2



Central Hall Phase 2

- Phase 2 (Main Level) nearing completion
- HVAC units installed in December
- Electrical switch gear expected April 2024



Central Hall Phase 3



- Basement-level construction drawings expected mid-February
- Early work package being developed (plumbing, framing, concrete surface prep)
- Initial construction estimates within expected range and budget

Solar Projects

- \$1.56 million contract with True South Solar for the 2 rooftops (Lithia Motors Pavilion & The Hawk) and battery storage is on track.
- \$2M Federal funding pre-award document is complete and being reviewed by the Department of Energy
- Parking Lot 1 solar canopies with EV charging Request for Proposals (RFP) will follow once we have confirmation of the federal funding timeline. Construction expected to be complete by Fall 2025.
- Further funding for solar projects is being explored by SOU's Grants Office and SOU's Sustainability Office

Expenditure Authorization Request: Design Services Contract and SOU Softball Project (Action)









SOU Softball Complex

- Project cost
 - \$305,000 in design services
 - \$2.5-\$3.7 Million
- Funding source
 - Fundraised
 - Currently \$1 Million pledged
- Timeline
 - Architect (KSW) selected Dec. 20
 - Architectural schematic design plans expected by February 28
 - Begin Land use application Feb. 1
 - RFP issue for construction manager general contractor (CMGC), by Feb 15
 - CMGC onboard March 1
 - Phasing begins June 1 – Completed project by February 2025

**Southern Oregon University
Board of Trustees
Finance and Administration Committee**

RESOLUTION

**Expenditure Authorization for Design Services Contract and Conditional
Approval of SOU Softball Complex**

Whereas, the Athletics programs at Southern Oregon University (SOU) are deemed be advantageous to the academic environment, cultural and physical development of the students, and the recruitment and retention of students at SOU;

Whereas, the university's Athletics program seeks to provide facilities and resources for its student-athletes and coaches to achieve success;

Whereas, the university seeks to create a new Softball Complex facility for the primary use of the University's softball and sports teams, the capital project for which will be supported by private philanthropy with no material impact on the University's operating or capital projects budgets;

Whereas, following a competitive request for proposals process, the university wishes to award a contract for the exploratory design services for a proposed SOU Softball Complex valued at \$305,000;

Whereas, following the university's policies and procedures, the university seeks approval to complete the SOU Softball Complex capital project at an estimated cost of \$2,400,000 to \$3,700,000;

Whereas, the Board of Trustees of Southern Oregon University retains sole authority for the approval of a capital project budget that is anticipated to exceed \$500,000 when restricted bond funds, restricted public grant funds, or restricted gift funds have not been secured for the entire cost of the project; and

Whereas, the Board retains sole authority for gifts to the University that create obligations on the part of the University for which there is no established funding source and for gifts with a value exceeding \$1,000,000 which involve the construction of facilities not previously approved; Now therefore,

Be it resolved, the Finance and Administration Committee refers this matter to the full Board of Trustees recommending approval of the following:

1. Resolved, the Board of Trustees to authorize the expenditure for a design services contract for the proposed SOU Softball Complex in the amount of \$305, 000. The source of funds for this contract shall be philanthropic gift funds, which have been secured;
2. Resolved, the Board of Trustees to provides conditional approval to complete this capital project with a budget not to exceed \$3,700,000, provided the following conditions are met:
 - A. The design services contract is fulfilled and an estimate of the full cost requirements for all project expenses is received; and
 - B. The university receives a signed commitment of philanthropic donor funding, or transfer of funds from the SOU Foundation meeting the cost requirement and with no material impact on the University's operating or capital projects budgets.

Be it further resolved, that this conditional approval will not include the naming of any outdoor building or spaces. The board retains sole authority for the approval of the naming of university buildings or outdoor areas in recognition of individuals or organizations and for the naming of a university building or outdoor spaces required by any gift to the university.

Discussion of Financial Stability Target

Discussion: Financial Resilience

- Developing an institutional reserves policy that enables effective fund balance preservation and simultaneous departmental access to funds for advancing the institution's mission

**General
Operations
And
Labor**

Discussion: Financial Resilience

- **GOAL:** Reserve enough for 1 full term
 - Reserves based on expenses not % of revenues
 - Use prior Fall expenses as baseline for budgeted reserve target in the coming fiscal year

+ Labor & OPE
+ S&S
+ Transfers Out
= Reserve **GOAL**

Discussion: Financial Resilience

Use % of **GOAL** (i.e. last year's fall expenses) to budget fund balance target



A GOAL
without a
PLAN is
just a
WISH

- Three scenarios modeled growth towards **GOAL**
 - Aggressive +10%
 - Limited: +3%
 - Balanced: +5%
- Future FY expenses grow 5% baseline expense target

Modeling: Aggressive Growth

Fiscal Year	RESERVES GOAL (Prior Fall Expense +5% escalation)	AGGRESSIVE (+10% towards GOAL per FY)	
		Ending Fund Balance*	Additional Reserve \$ Per FY
2025	\$23,222,115	\$9.3M	\$2.4M
2026	\$24,383,221	\$12.2M	\$2.9M
2027	\$25,602,382	\$15.4M	\$3.2M
2028	\$26,882,501	\$18.8M	\$3.5M
2029	\$28,226,626	\$22.6M	\$3.8M
2030	\$29,637,957	\$26.7M	\$4.1M
2031	\$31,119,855	\$31.1M	\$4.4M

*Assumes 100% fund balance retained year-over-year

Modeling: Limited Savings

Fiscal Year	RESERVES GOAL (Prior Fall Expense +5% escalation)	LIMITED (+3% towards GOAL per FY)	
		Ending Fund Balance*	Additional Reserve \$ Per FY
2025	\$23,222,115	\$7.7M	\$757k
2026	\$24,383,221	\$8.8M	\$1.1M
2027	\$25,602,382	\$10.0M	\$1.2M
2028	\$26,882,501	\$11.3M	\$1.3M
2029	\$28,226,626	\$12.7M	\$1.4M
2030	\$29,637,957	\$14.2M	\$1.5M
19yrs later...			
2049	\$72,753,823	\$72.8M	\$5.5M

*Assumes 100% fund balance retained year-over-year

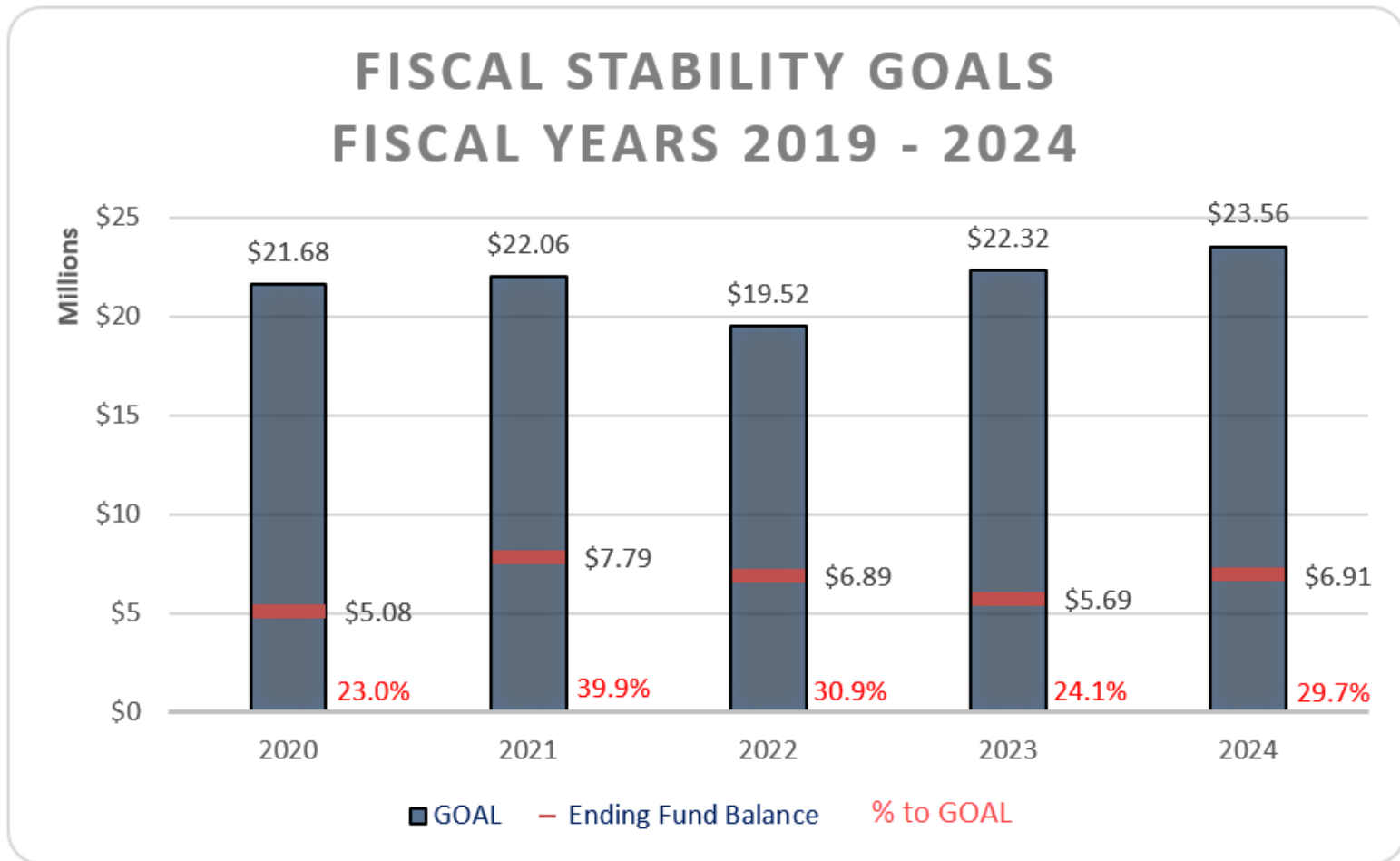
Modeling: Balanced Approach

Fiscal Year	RESERVES GOAL (Prior Fall Expense +5% escalation)	BALANCED (+5% towards GOAL per FY)	
		Ending Fund Balance*	Additional Reserve \$ Per FY
2025	\$23,222,115	\$8.1M	\$1.2M
2026	\$24,383,221	\$9.8M	\$1.6M
2027	\$25,602,382	\$11.5M	\$1.8M
2028	\$26,882,501	\$13.4M	\$1.9M
2029	\$28,226,626	\$15.5M	\$2.1M
2030	\$29,637,957	\$17.8M	\$2.3M
8yrs later...			
2038	\$43,788,761	\$43.8M	\$4.2M

*Assumes 100% fund balance retained year-over-year

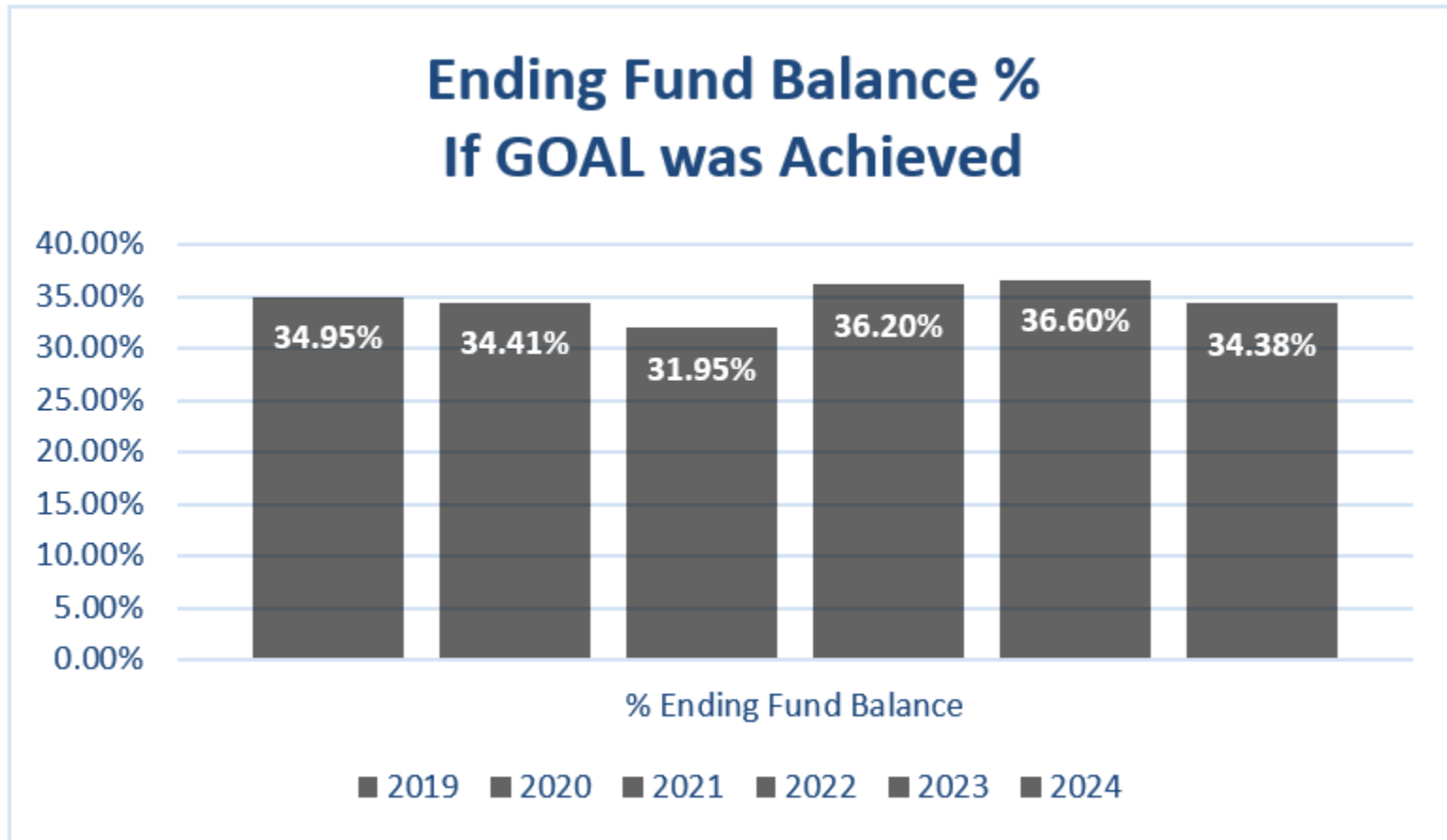
Discussion: Financial Resilience

Using the concept, how close have we come to **GOAL**?



Discussion: Financial Resilience

If we had achieved 1 term of operating dollars in reserve, what would our *hypothetical* % EFB have been?



Future Meetings

Adjournment