



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

January 9, 2025

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, a periodic management report, and a first quarter investment report of the university endowment. The committee will also act on a proposed financial sustainability reserves target.

There will be a vice president's report consisting of updates on organizational changes, capital projects, fiscal year 2024 year-end and the external audit, and other general information. There also will be a Core Information System Replacement Project report including phase one and the overall project budget as well as progress updates on phase two.

The board will discuss the fiscal year 2025 budget including a revenue update on enrollment and state funding, budget variances, and a review of the financial pro forma. Additional agenda items include an update on the SOU endowment fund.

The meeting will occur as follows:

Thursday, January 16, 2025
5:00 p.m. to 7:00 p.m. (or until business is concluded)
Visit governance.sou.edu for the meeting materials.
SOU Ashland Campus, Hannon Library, Meese Room
1290 Ashland Street, Ashland, OR, 97520

To view the proceedings remotely, visit <https://sou.zoom.us/j/81832671920> at the time of the meeting.

If accommodations for persons with disabilities are required, please contact Holly Frazier at (541) 552-8055 or email trustees@sou.edu. Accommodation requests should be made at least 48 hours in advance.

Public Comment

Members of the public who wish to provide live public comments in person or remotely 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. Public comments also may be 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 16, 2025

Call to Order / Roll / Declaration of a Quorum



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

**Thursday, January 16, 2025
5 p.m. – 7 p.m. (or until business concludes)
Meese Room, Hannon Library, SOU Campus
Zoom: <https://sou.zoom.us/j/81832671920>**

AGENDA

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

- | | | | |
|-----------|----------|-----------------------------------------------------|------------------------------------------------------------------------------------|
| 5:00 p.m. | 1 | Call to Order/Roll/Declaration of a Quorum | |
| | 1.1 | Welcome and Opening Remarks | Chair Liz Shelby |
| | 1.2 | Roll and Declaration of a Quorum | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.3 | Agenda Review | Chair Liz Shelby |
| 5:05 | 2 | Public Comment | |
| 5:20 | 3 | Consent Agenda (Action) | Chair Liz Shelby |
| | 3.1 | Financial Dashboard | |
| | 3.2 | Periodic Management Report | |
| | 3.3 | Fiscal Year 2025 First Quarter Investment Report | |
| 5:25 | 4 | Vice President's Report | Dr. Peter Angstadt,
Interim Vice President for
Finance and
Administration |
| | 4.1 | Organizational Updates | |
| | 4.2 | Fiscal Year 2024 Year-End and External Audit Update | |
| | 4.3 | Update on Capital Projects | |
| | 4.4 | Other General Information Updates | |
| | 5 | Action, Information and Discussion Items | |
| 5:40 | 5.1 | Fiscal Year 2025 Budget Update | Dr. Peter Angstadt; Josh
Lovern, SOU, Director of
Budget and Planning |
| | 5.1.1 | Revenue Update: Enrollment and State Funding | |

**Southern Oregon University
Board of Trustees
Finance and Administration Committee Meeting
Thursday, January 16, 2025**

AGENDA (Continued)

5.1.2 Budget Variance Report

5.1.3 Review of Pro Forma

6:05	5.2	Financial Stability Reserves Target (Action)	President Rick Bailey; Dr. Peter Angstadt; Josh Lovern
6:25	5.3	SOU Endowment Fund Update	Dr. Peter Angstadt; Penny Burgess, USSE, Executive Director
	5.4	Core Information System Replacement (CISR) Project Update	Dr. Peter Angstadt; Hart Wilson, SOU, CISR Project Manager;
6:40	5.4.1	Phase One and Overall Project Budget Update	Dr. Peter Angstadt
6:50	5.4.2	Phase Two Progress Update	Hart Wilson
6:55	5.5	Future Meetings	Chair Liz Shelby
7:00 p.m.	6	Adjournment	Chair Liz Shelby

Public Comment

Consent Agenda

FY2025 Q1 Investment Reports

BACKGROUND

The Southern Oregon University (university) investment report for the first quarter (Q1, July 1 – September 30, 2025) of fiscal year (FY) 2025 is presented in the following sections:

- **FY2025 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 by the Oregon State Treasury in the Oregon Short-Term Fund and the university's endowment investments managed by the Oregon State Treasury.
- **FY2025 Q1 Market Commentary** – This section provides a general discussion of the investment markets and related performance data for the first quarter of FY2025 (i.e., July 1 – September 30, 2024).

FY2025 Q1 SOUTHERN OREGON UNIVERSITY INVESTMENT REPORT

The schedule of Southern Oregon University's investments is shown in the investment summary below.

Southern Oregon University Operating Assets

Southern Oregon University's operating assets are invested in the Oregon Short Term Fund (OSTF). As of September 30, 2024, SOU had \$15.6 million on deposit in the OSTF.

The Oregon Short-Term Fund (OSTF) increased 1.3% for the quarter and fiscal year-to-date, underperforming its benchmark by 10 basis points for the period.

The Oregon State Treasury fixed income team anticipates economic weakness to emerge in the coming months, however, believes investor expectations for future federal funds rate cuts to be overly aggressive compared to inflation and growth, and are maintaining conservative portfolio positioning versus benchmarks. To provide partial hedging for the risk of fewer federal funds rate cuts than estimated by market pricing, portfolio managers have increased exposure to floating rate securities in both portfolios. The OSTF allocation was 55% at the end of the quarter.

Southern Oregon University Endowment Fund

The SOU Endowment Fund (Fund) increased 6.4% for the quarter and fiscal year-to-date, outperforming its policy benchmark by 10 basis points for the period. The three-year average return was 4.8%, underperforming its benchmark by 10 basis points. The five-year return of 9.0% outperformed its benchmark by 50 basis points. The Fund ended the quarter with a balance of \$3.1 million.

The majority of the Fund's assets (77.0%) are allocated to a global equity index strategy, while 23.0% of the portfolio is allocated to an "actively" managed fixed income fund. For the three months ended September 30, 2024, the Blackrock All-Country World Index increased 6.9%, outperforming its benchmark by 10 basis points. The Western Asset Core Plus Bond Fund returned 5.2%, equaling the Bloomberg Barclays U.S. Aggregate Bond Index.

The university received a \$109,980 distribution from the endowment in September 2024.

Southern Oregon University
Investment Summary
as of September 30, 2024
(Net of Fees)

	Quarter Ended 9/30/2024	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									
Oregon Short - Term Fund	1.3%	1.3%	1.1%	3.2%	2.4%	1.9%	\$ 15,635,293	100.0%	N/A
Benchmark - 91 day T-Bill	1.4%	1.4%	1.3%	3.5%	2.3%	1.6%			
SOU Endowment Assets									
BlackRock ACWI IMI B	6.9%	6.9%	-3.4%	7.7%	12.1%	9.5%	\$ 2,413,657	77.0%	75.0%
Benchmark - MSCI ACWI IMI Net	6.8%	6.8%	-3.4%	7.4%	11.9%	9.2%			
Western Asset Core Plus Bond Fund	5.2%	5.2%	-5.3%	-3.6%	-0.5%	2.1%	723,031	23.0%	25.0%
Benchmark - Bloomberg Barclays Aggregate Index	5.2%	5.2%	-3.2%	-1.4%	0.3%	1.8%			
Cash	1.3%	1.3%	1.1%	3.2%	2.4%	1.9%	1,517	0.0%	0.0%
Benchmark - 91 day T-Bill	1.4%	1.4%	1.3%	3.5%	2.3%	1.6%			
Total Endowment Assets	6.4%	6.4%	-3.9%	4.8%	9.0%	7.6%	\$ 3,138,205	100.0%	
Policy Benchmark ¹	6.3%	6.3%	-3.3%	4.9%	8.5%	N/A			

¹ 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, 2024

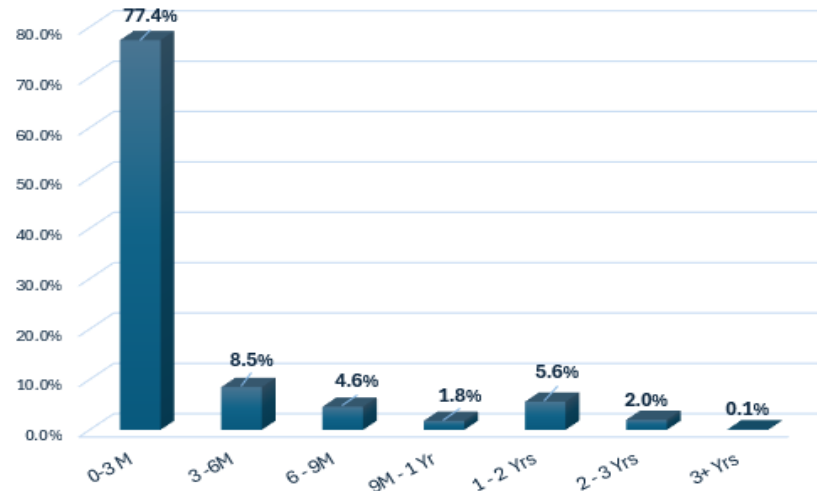
Portfolio Characteristics

Market Value 9/30/2024	\$ 219,322,825
Weighted Average Credit Quality	AA
Book Yield (%)	5.00%
Weighted Average Maturity (days)	101 Days
Duration (years)	0.23
Spread Duration (years)	0.61

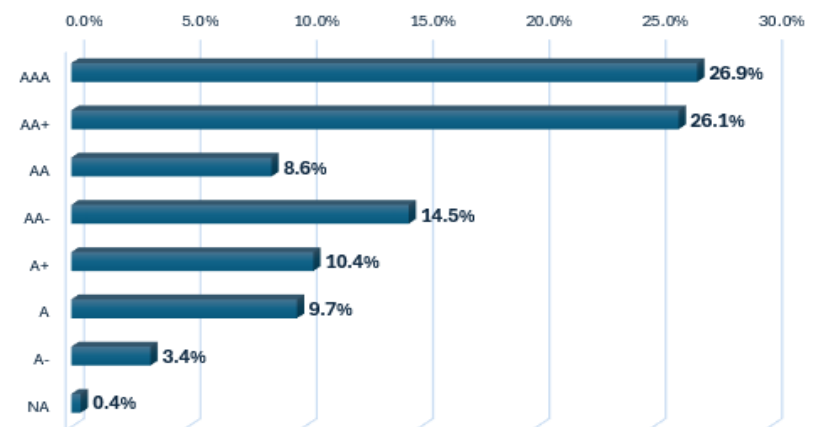
Top 10 Issuers

United States Treasury	21.6%
Canada Pension Plan Investment Board Capital Incorporated	2.8%
Royal Bank of Canada	2.5%
Federal Farm Credit Banks	2.3%
Federal Home Loan Banks	1.8%
American Honda Finance Corporation	1.8%
Toyota Motor Credit Corporation	1.6%
CDP Financial Incorporated	1.5%
JPMorgan Chase & Company	1.4%
New York Life Global Funding	1.4%
Total	38.7%

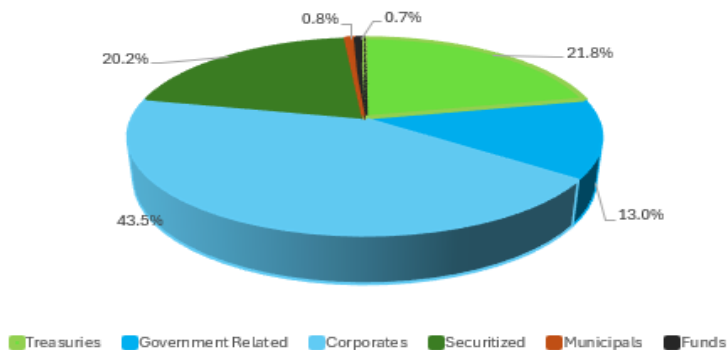
Maturity Breakdown



Credit Quality Distribution



Sector Allocations



Source: Oregon State Treasury

024 Q1 MARKET COMMENTARY

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

Report on Investments – as of September 30, 2024

Economic and Market Update

In the third calendar quarter, stock and bond markets rallied despite heightened volatility. Central bank indications of future interest rate cuts given declining inflation pressures was a key driver of gains.

- In September, the Federal Reserve Bank (Fed) surprised many in the markets with a 50-basis point interest rate cut while the U.S. economy and employment picture remains quite healthy.
- In the third calendar quarter, U.S. equities (S&P 500) rose 5.9%. The U.S. equity rally broadened, with value and small cap stocks outperforming large cap growth stocks, reversing the narrow leadership trend earlier this year.
- Emerging market stocks (+8.7%) outperformed developed market stocks in the third calendar quarter; in non-U.S. developed markets (+7.3%) value and small cap stocks also beat the broad market.
- After two years of piecemeal policy stimulus, China's policy makers rolled out a significant stimulus package to support equity prices, reduce bank reserve requirements and funding rates, and support current and future mortgage borrowers. In particular, bank loans for listed company share buybacks and purchases drove the Morgan Stanley Capital Indices (MSCI) China equity index to rally 23.9% in September and 23.5% for the entire third calendar quarter.
- Fixed income markets also posted positive returns on expectations for additional policy rate cuts this year and next, as inflation pressures recede, and the economy slows.
- Looking ahead, the paths of inflation, labor markets, and monetary policy, China's slowing economy and potential policy stimulus benefits, increased geopolitical tensions, and the looming U.S. election will be key factors.

Major markets finished the third calendar quarter in positive territory despite several spikes in volatility. Falling inflation, resilient growth in the U.S., and dovish central banks supported stocks and bonds. Rate sensitive sectors, like real estate investment trusts, particularly benefited from lower interest rates. Calendar year-to-date through September, all major asset classes were positive, led by U.S. equities.

Market Returns¹ September 30, 2024

	Month	Quarter	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
S&P 500	2.10%	5.90%	22.10%	36.40%	11.90%	16.00%	14.50%	13.40%
MSCI EAFE-ND	0.90%	7.30%	13.00%	24.80%	5.50%	8.20%	6.00%	5.70%
MSCI EM-ND	6.70%	8.70%	16.90%	26.10%	0.40%	5.70%	3.70%	4.00%
MSCI China-ND	23.90%	23.50%	29.30%	23.90%	-5.60%	0.80%	-0.30%	3.40%
Bloomberg US Aggregate	1.30%	5.20%	4.40%	11.60%	-1.40%	0.30%	1.50%	1.80%
Bloomberg US TIPS	1.50%	4.10%	4.90%	9.80%	-0.60%	2.60%	2.90%	2.50%
Bloomberg US Corporate High Yield	1.60%	5.30%	8.00%	15.70%	3.10%	4.70%	4.70%	5.00%
ICE BofAML US 3-Month Treasury Bill	0.40%	1.40%	4.00%	5.50%	3.50%	2.30%	2.20%	1.60%
ICE BofAML 1-3 Year US Treasury	0.80%	2.90%	4.10%	6.70%	1.30%	1.50%	1.70%	1.40%
ICE BofAML 10+ Year US Treasury	2.00%	7.70%	3.00%	15.40%	-7.80%	-3.90%	-0.30%	1.20%

¹Source: Oregon State Treasury

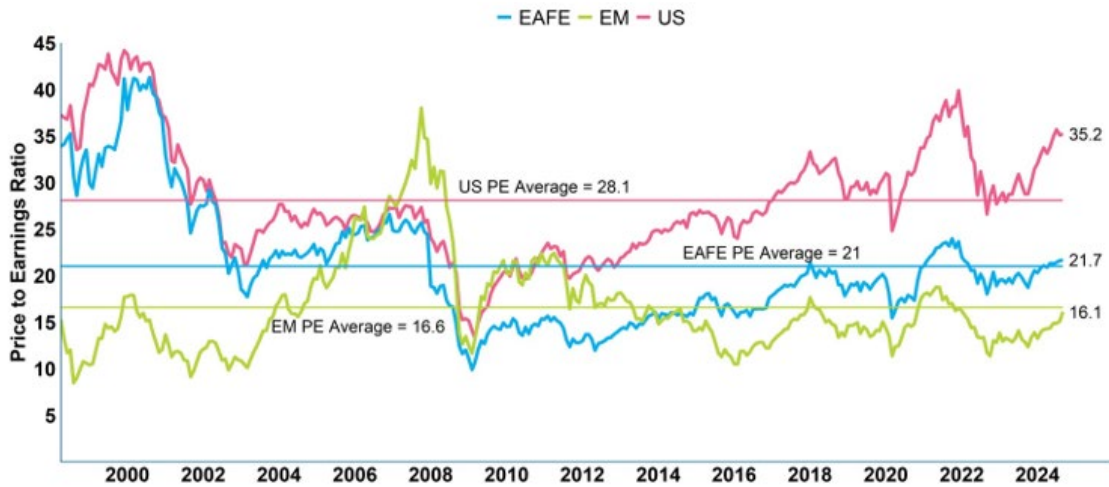
U.S. Equities: The S&P 500 rose +5.9% in the third calendar quarter, bringing the calendar year-to-date results to +22.1%. In the third calendar quarter, investor optimism grew over the potential for a “soft landing” of the U.S. economy and as investors reexamined the future of AI-related stocks. In this environment, value outperformed growth across the capitalization spectrum and small cap stocks (Russell 2000: +9.3%) outperformed large cap stocks (Russell 1000: +6.1%). Despite the third calendar quarter’s rally in value and small cap stocks, large cap growth stocks are the best performing asset class (R1000 Growth: +24.5%) for the year-to-date 2024 due to on-going enthusiasm for AI.

With the notable exception of energy stocks, all sectors posted positive returns in the third calendar quarter. On the prospect of growing energy demand for cloud computing for AI, utilities were the best performing sector in the third calendar quarter (+15.9%) followed by telecom (+13.0%) and industrials (+11.7%). All sectors feature positive returns for the calendar year-to-date period. Technology stocks (+28.9%) continue to lead the broader market, followed by utilities (+26.2%), and financials (+20.6%).

Foreign Equity: Developed international equities (MSCI Europe, Australasia, Far East (EAFE)) rose +7.3% in the third calendar quarter, while emerging market equities (MSCI Emerging Markets) gained 8.7%. Non- U.S. developed market stocks saw similar themes as the U.S., with value and small cap stocks outperforming large cap stocks in the third calendar quarter, as investors anticipated further rate cuts from the European Central Bank and the Bank of England. Japan’s Tokyo Price Index (TOPIX) experienced an over 20% decline at the start of August due to the Bank of Japan’s (BoJ) unexpected rate increase and related pressures on the yen carry trade. It subsequently recovered, though, as the BoJ signaled that further rate increases were not likely.

In late September, China announced significant stimulus measures to support asset prices resulting in Chinese stocks rallying +23.9% for the month. This led to emerging markets posting the best quarterly results (+8.7%). The weakening U.S. dollar further supported international stocks, particularly in developed markets. The broad global equity rally lifted stocks’ cyclically adjusted price/earnings ratios over the quarter, with U.S. stock valuations finishing well above their long-term 28.1 average. Non- U.S. developed market valuations increased to slightly above their long-term average while emerging market stocks are now trading close to their long-term average given the strong recent gains.

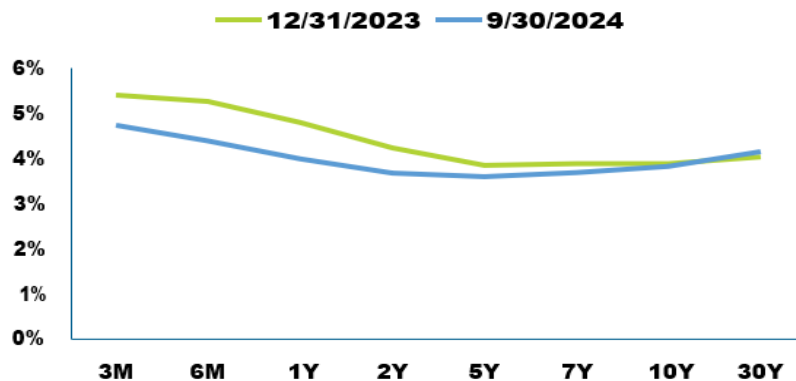
Equity Cyclically Adjusted P/E Ratios¹



¹ Source: U.S. 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: Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years. Data is as of September 2024. The average line is the long-term average of the U.S., EM, and EAFE PE values from April 1998 to the recent month-end respectively.

Fixed Income: Fixed income indexes rose in the quarter as rates fell, driven by a continued decline in inflation. This and the weakening labor market led to the Fed cutting interest rates with more cuts expected. The broad U.S. bond market (Bloomberg Aggregate) rose 5.2% over the quarter, with the broad Treasury Inflation Protected Securities (TIPS) market gaining 4.1%. The less interest rate sensitive short-term TIPS index increased 2.5%. Riskier bonds experienced volatility during the quarter but ultimately posted strong results as risk appetite remained strong. Emerging market debt gained 9.0% and high yield rose 5.3%.

U.S. Yield Curve¹



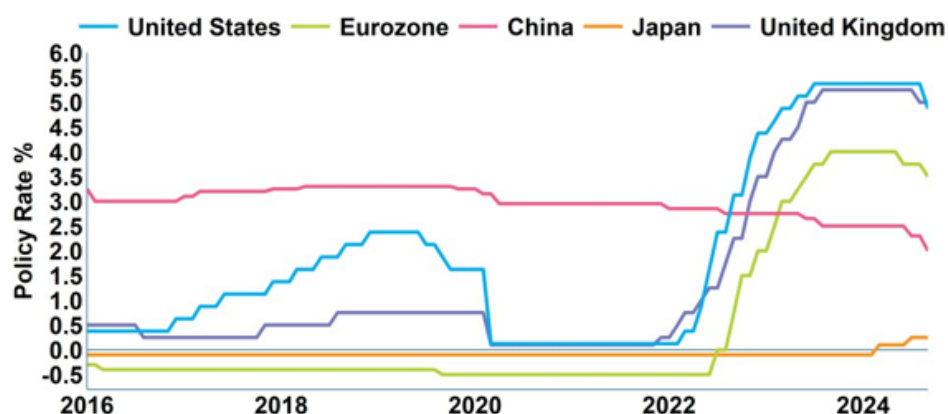
¹ Source: Bloomberg. Data is as of September 30, 2024.

U.S. interest rates fell over the quarter as economic data continued to soften and the Fed started its rate cutting cycle. The more policy sensitive 2-year Treasury yield declined from 4.75% to 3.64% over the quarter, while the 10-year Treasury yield fell from 4.40% to 3.78% over the

same period. Notably, the portion of the yield curve from 2-years to 10-years was no longer inverted at the end of September, given policy rate cuts and resilient growth. This trend could continue as the Fed likely continues to cut interest rates.

Over the quarter, year-over-year headline inflation continued to decline (3.0% to 2.4%) supporting the Fed's start to cutting policy rates. The 2.4% September level was the lowest since early 2021. Month-over-month inflation increased 0.2% each month over the quarter. Food and shelter costs saw monthly increases, while energy prices largely fell. Calendar year-over-year core inflation (excluding food and energy) finished the quarter where it started (3.3%). Shelter (+4.9% YoY) and transportation (+8.5% YoY) remain key drivers of stickier core inflation. Inflation expectations (breakevens) have been relatively stable over the last several years. They remain below current inflation levels.

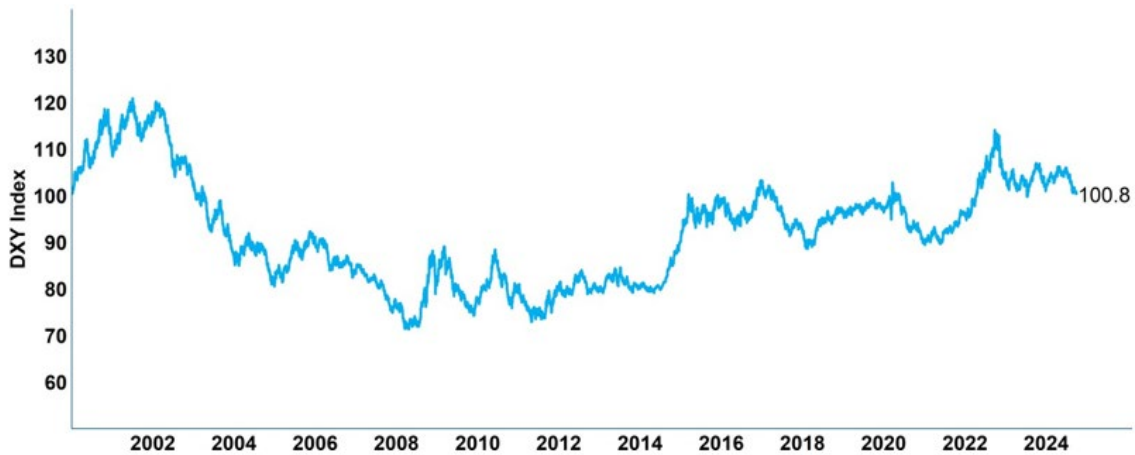
Policy Rates¹



¹ Source: Bloomberg. Data is as of September 30, 2024. United States rate is the mid-point of the Federal Funds Target Rate range. Eurozone rate is the ECB Deposit Facility Announcement Rate. Japan rate is the Bank of Japan Unsecured Overnight Call Rate Expected. China rate is the China Central Bank 1-Year Medium Term Interest Rate. UK rate is the UK Bank of England Official Bank Rate.

In the U.S., the Fed reduced interest rates by 0.5% after holding them at a 5.25% - 5.50% level for over a year. In their statement they highlighted that they would make additional interest rate cut decisions based on incoming data. Market participants are pricing in roughly two additional cuts in 2024. The Bank of England (BoE) and the European Central Bank (ECB) have both started cutting rates. The BoE made a 25-basis points interest rate cut in July while the ECB made two similar cuts in June and September. Inflation in Japan remains elevated, prompting Bank of Japan (BoJ) officials to raise the policy rate 0.15% to 0.25% over the quarter after decades at near-zero rates. China announced a broad-based unexpected stimulus package that included lower interest rates, a reduction in bank reserve requirements, and liquidity for stock investors.

U.S. Dollar vs. Broad Currencies¹



¹ Source: Bloomberg. Data as of September 30, 2024

The U.S. dollar weakened in the third calendar quarter by 4.7% versus other major currencies, influenced by the decline in interest rates and expectations for slower growth. It remains at historically strong levels, though, given relatively stronger growth, higher interest rates, and on the prospects of other central banks, potentially easing policy faster than the Fed. Looking ahead, the track of policy rates across major central banks will be key for the path of the U.S. dollar from here. If the U.S. economy slows more than expected and the Fed relatedly lowers rates at a faster pace, we could see the dollar weaken further.

Summary-Key Trends:

- According to the International Monetary Fund's July report, global growth this year is expected to match the 2023 estimate at around 3.2% with most major economies predicted to avoid a recession.
- Key economic data in the U.S. has largely weakened and come in below expectations, causing markets to expect an additional two rate cuts this year after the Fed's initial 0.5% reduction. Uncertainty remains regarding the timing and pace of interest rate cuts in the coming year.
- U.S. consumers could feel pressure as certain components of inflation (e.g., shelter) remain high, borrowing costs stay elevated, and the job market may weaken further.
- A focus for U.S. equities going forward will be whether earnings can remain resilient if growth slows. Also, the future paths of the large technology companies that have driven market gains will be important.
- We have started to see divergences in monetary policy. Some central banks, such as the Fed, ECB, and the BoE, have started to cut interest rates and others, like the BoJ, have increased interest rates. This disparity will likely influence capital flows and currencies.
- China appears to have shifted focus to more policy support for the economy/asset prices with a new suite of policy stimulus and signals for more support ahead. It is still not clear what the long-term impact of these policies will be on the economy and if policy makers will remain committed to these efforts.

Vice President's Report

Fiscal Year 2025 Budget Update

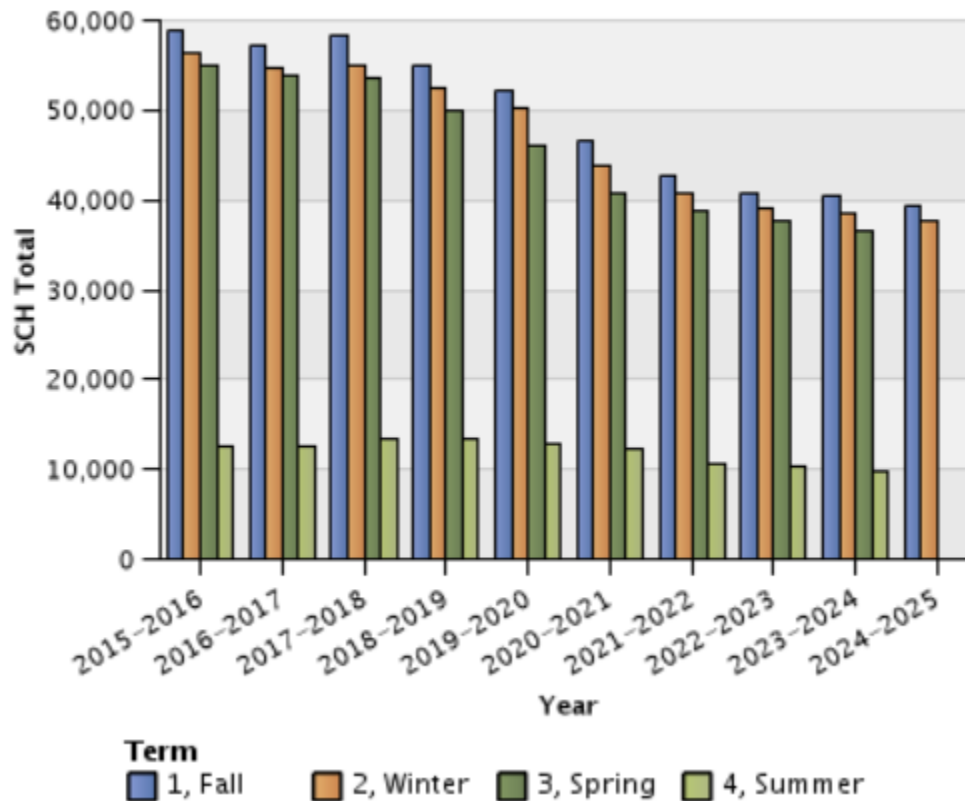
FY 2025 Budget Update

- FY 2025 budgets loaded into Workday
- Challenges with validating accuracy
 - Reports developed for SOU have issues
 - VPFA working with Alchemy to improve / fix
- Individualized budget reviews with budget authorities occurring when feasible

Revenue Update: Enrollment and State Funding

FY 2025 Enrollment Update

SCH per Quarter by Year



Credit Hours Total	Fall	Winter	Spring	Summer	Total
2024-2025	39,021	37,662	0	0	76,683
2023-2024	40,367	38,504	36,641	9,665	125,177
2022-2023	40,719	39,070	37,614	10,278	127,681
2021-2022	42,768	40,803	38,813	10,729	133,113
2020-2021	46,534	43,844	40,867	12,167	143,412
2019-2020	52,240	50,326	46,140	12,795	161,501
2018-2019	55,073	52,540	49,860	13,431	170,904
2017-2018	58,362	55,071	53,658	13,274	180,365
2016-2017	57,140	54,640	53,694	12,617	178,091
2015-2016	58,981	56,439	55,108	12,542	183,070

*Excludes OLLI, ASC, TRNG

Source: iReports, COGNOS – Institutional Research

Budget Variance Report and Review of Pro Forma

FY 2025 Pro Forma Update

- Significant challenges encountered with data in Workday making forecasting very hard
 - Revenues not coming over from Banner
 - Tuition, Course Fees, Remissions, etc.
 - Faculty deferred compensation plan delays actuals
 - **Other Personnel Expenses (OPE)** cannot be accurately forecast with current system configuration
- FY24 still in audit and updates occurring
 - Pro forma year-end close for FY24 updated accordingly

E&G Revenues

	2023-25 Biennium			2025-27 Biennium	
	2023-24 Actual (000's)	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2025-26 FORECAST (000's)	2026-27 FORECAST (000's)
REVENUES					
Total State Funding (SSCM,ETSF,SELP)	27,800	28,706	28,706	29,262	30,440
Tuition	33,948	34,845	34,520	35,045	35,831
Fees	3,921	4,247	4,207	4,234	4,348
Raider Aid (remissions)	(4,843)	(4,000)	(4,000)	(4,023)	(4,113)
<i>Oth tuition & fee adjustments</i>		(1,100)			
Tuition, net of Raider Aid	33,027	33,992	34,727	35,256	36,066
Misc. Other Revenue	3,680	3,742	3,742	3,763	3,848
TOTAL REVENUES	64,507	66,439	67,175	68,281	70,354

JANUARY UPDATE TO REVENUE PROJECTIONS & OBSERVATIONS

- FY25 Tuition variance due to significant decline in non-res SCH
- Single Fee estimate offset moved to 'non-recurring' section
- Estimates based solely on Banner data – feed to Workday inoperative

2025-27 Biennium Assumptions

- Estimated SSCM funding for next biennium set at Governor's Recommended Budget for projections
- Reminder: any one-time Revenues moved to 'Non-recurring' section
- Assumes -3% enrollment decline for FY 2026
- Assumes +5% tuition increase as placeholder

E&G Revenues Variance Analysis

	2023-25 Biennium		
	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2024-25 VARIANCE (000's)
REVENUES			
Total State Funding (SSCM,ETSF,SELP)	28,706	28,706	0
Tuition	34,845	34,520	(325)
Fees	4,247	4,207	(40)
Raider Aid (remissions)	(4,000)	(4,000)	0
<i>Oth tuition & fee adjustments</i>	(1,100)		1,100
Tuition, net of Raider Aid	33,992	34,727	735
Misc. Other Revenue	3,742	3,742	-
TOTAL REVENUES	66,439	67,175	735

JANUARY VARIANCE ANALYSIS - REVENUES

FY 2025 Budget vs Estimate to Complete

- Tuition (-\$325k) and Fees (\$-40k)
- \$1,100k moved to 'Non-recurring'
- Net impact, \$735k

E&G Labor

		2023-25 Biennium			2025-27 Biennium	
		2023-24 Actual (000's)	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2025-26 FORECAST (000's)	2026-27 FORECAST (000's)
EXPENSES & TRANSFERS						
<u>Personnel Services</u>						
Faculty		(14,371)	(14,678)	(14,271)	(14,917)	(15,375)
Unclassified Staff		(9,906)	(9,896)	(9,990)	(9,780)	(10,002)
Classified Staff		(7,036)	(7,426)	(7,390)	(7,779)	(8,119)
Students, GA's, etc		(1,334)	(1,499)	(1,545)	(1,589)	(1,603)
Salaries Sub-total		(32,647)	(33,499)	(33,196)	(34,066)	(35,099)
PERS & ORP (Retirement Pgms)		(7,757)	(7,534)	(7,677)	(7,746)	(8,083)
PEBB (Healthcare)		(7,851)	(7,793)	(8,182)	(8,460)	(8,748)
Other (FICA, SAIF, OPL, etc.)		(3,084)	(3,184)	(3,133)	(3,274)	(3,416)
OPE Sub-total		(18,692)	(18,511)	(18,993)	(19,481)	(20,247)
	<i>Vacancy Adj.</i>					
	<i>Other Adj. to Labor</i>				(377)	(842)
Net Personnel Services		(51,339)	(52,010)	(52,189)	(53,924)	(56,188)

JANUARY UPDATE TO LABOR PROJECTIONS & OBSERVATIONS

- Faculty: Difficulty projecting due to system configuration with deferred pay
- Unclassified COLA plans added to forecast through next biennium
- Classified on track as expected
- OPE calculations will be revisited for FY 2026 – discussing new methodology

E&G Labor Variance Analysis

EXPENSES & TRANSFERS

Personnel Services

	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2024-25 VARIANCE (000's)
Faculty	(14,678)	(14,271)	407
Unclassified Staff	(9,896)	(9,990)	(94)
Classified Staff	(7,426)	(7,390)	36
Students, GA's, etc	(1,499)	(1,545)	(47)
Salaries Sub-total	(33,499)	(33,196)	302
PERS & ORP (Retirement Pgms)	(7,534)	(7,677)	(143)
PEBB (Healthcare)	(7,793)	(8,182)	(389)
Other (FICA, SAIF, OPL, etc.)	(3,184)	(3,133)	51
OPE Sub-total	(18,511)	(18,993)	(481)
Net Personnel Services	(52,010)	(52,189)	(179)

JANUARY VARIANCE ANALYSIS - LABOR

FY 2025 Budget vs Estimate to Complete

- Salaries: \$302k under budget
- OPE: \$481 over budget
- Net Labor: \$179k over budget, largely due to OPE estimates

Supplies & Services

Supplies & Services (S&S)

S&S Expenses

AP Program Share (AP)

Capital Expenses (CapEx)

Total S&S, CapEx, AP

2023-25 Biennium			2025-27 Biennium	
2023-24 Actual (000's)	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2025-26 FORECAST (000's)	2026-27 FORECAST (000's)
(13,933)	(12,231)	(12,753)	(12,527)	(12,840)
(1,336)	(1,249)	(1,230)	(1,305)	(1,354)
(26)	(125)	(90)	(128)	(131)
(15,295)	(13,605)	(14,073)	(13,960)	(14,325)

JANUARY SUPPLIES & SERVICES (S&S) PROJECTIONS & OBSERVATIONS

- S&S full fiscal year projections are currently better than budgeted
 - Intentionally conservative
 - ‘Trust but verify’ – transaction backlog may shock the system later in the fiscal year if too many invoices or P-Cards have been delayed
 - Future biennium increases may need revision upwards relative to contract growth in areas like software and assessments
- Risepoint (formerly Academic Partnerships) Online MBA and MS.Ed tracking as anticipated

Supplies & Services Variance Analysis

		2023-25 Biennium		
		2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2024-25 VARIANCE (000's)
S&S Expenses		(12,231)	(12,753)	(522)
AP Program Share (AP)		(1,249)	(1,230)	19
Capital Expenses (CapEx)		(125)	(90)	35
Total S&S, CapEx, AP		(13,605)	(14,073)	(468)

JANUARY VARIANCE ANALYSIS – S&S

FY 2025 Budget vs Estimate to Complete

- General Supplies & Services – manually conservative \$522k over budget
- Risepoint programs (Online MBA & MS.Ed – \$19k under budget
 - Program shrinkage in models
- Capital expenses - \$35k under budget
- Net impact, \$468k over budget

Transfers	2023-25 Biennium			2025-27 Biennium	
	2023-24 Actual (000's)	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2025-26 FORECAST (000's)	2026-27 FORECAST (000's)
Budgeted Transfers (In & Out)	(2,529)	(2,706)	(2,706)	(2,806)	(2,923)
<i>Transfers Adjustments</i>					
Transfers Net (excluding relief funds)	(2,529)	(2,706)	(2,706)	(2,806)	(2,923)
Federal Relief Funds Transferred to E&G	2,879				
Transfers Net (In & Out of E&G)	350	(2,706)	(2,706)	(2,806)	(2,923)

JANUARY TRANSFERS PROJECTIONS & OBSERVATIONS

- Slight reduction from last update for FY24
 - Additional support to non-E&G areas during year-end close
- FY 2025
 - Automatic processes still being established in Workday
 - Estimate set to budget until more fidelity can be achieved

JANUARY VARIANCE ANALYSIS – TRANSFERS

FY 2025 Budget vs Estimate to Complete

- No observable deviations from budget currently

E&G Fund Balance	2023-25 Biennium			2025-27 Biennium	
	2023-24 Actual (000's)	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2025-26 FORECAST (000's)	2026-27 FORECAST (000's)
TOTAL EXPENSES & TRANSFERS	(66,284)	(68,321)	(68,968)	(70,689)	(72,686)
TOTAL EXPENSES (excluding Federal Relief)	(68,813)				
FUND BALANCE					
Non-Recurring 1-Time Revenue	1,022	1,458	1,458	334	
Non-Recurring 1-Time Expense			(1,100)		
Adjusted Ending Fund Balance	4,892	4,468	3,457	1,382	(950)
% Operating Revenues (Adjusted)	7.58%	6.73%	5.15%	2.02%	-1.35%
Change in Fund Balance	(1,777)	(1,881)	(1,793)	(2,408)	(2,332)
Beginning Fund Balance	5,647	5,884	3,870	2,077	(331)
Ending Fund Balance	3,870	4,003	2,077	(331)	(2,663)
% Operating Revenues (Regular Ops)	6.00%	6.02%	3.09%	-0.48%	-3.78%
Days of Operations	20.42	19.09	10.99	(1.71)	(13.37)
Months of Operations	0.68	0.64	0.37	(0.06)	(0.45)

JANUARY UPDATE FUND BALANCE PROJECTIONS & OBSERVATIONS

- Current fund balance projections DECREASED from October
 - FY24 ending balance hit hard with year-end changes; rolling into FY25
- SCH decline projected for FY26– FY27
- Continued monitoring to ensure $R \geq C$

E&G Fund Balance Variance Analysis

2023-25 Biennium			
	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2024-25 VARIANCE (000's)
TOTAL EXPENSES & TRANSFERS	(68,321)	(68,968)	(647)
TOTAL EXPENSES (excluding Federal Relief)			
FUND BALANCE			
Non-Recurring 1-Time Revenue	1,458	1,458	-
Non-Recurring 1-Time Expense		(1,100)	(1,100)
Adjusted Ending Fund Balance	4,468	3,457	(1,012)
% Operating Revenues (Adjusted)	6.73%	5.15%	-1.58%
Change in Fund Balance	(1,881)	(1,793)	88
Beginning Fund Balance	5,884	3,870	(2,014)
Ending Fund Balance	4,003	2,077	(1,926)
% Operating Revenues (Regular Ops)	6.02%	3.09%	-2.93%
Days of Operations	19.09	10.99	(8.10)
Months of Operations	0.64	0.37	(0.27)

JANUARY VARIANCE ANALYSIS – FUND BALANCE

FY 2025 Budget vs Estimate to Complete

- Total Expenses & Transfers \$647k over budget – largely due to OPE estimate
- Beginning fund balance updated with FY24 ending vs blue column
- Ending fund balance

E&G Pro Forma Projections to FY2027

Education and General (in thousands of dollars)		2023-25 Biennium			2025-27 Biennium	
		2023-24 Actual (000's)	2024-25 FY25 Budget (000's)	2024-25 Est FY25 (000's)	2025-26 FORECAST (000's)	2026-27 FORECAST (000's)
REVENUES						
Total State Funding (\$SCM,ETSF,SELP)		27,800	28,706	28,706	29,262	30,440
Tuition		33,948	34,845	34,520	35,045	35,831
Fees		3,921	4,247	4,207	4,234	4,348
Raider Aid (remissions)		(4,843)	(4,000)	(4,000)	(4,023)	(4,113)
Oth tuition & fee adjustments			(1,100)			
Tuition, net of Raider Aid		33,027	33,992	34,727	35,256	36,066
Misc. Other Revenue		3,680	3,742	3,742	3,763	3,848
TOTAL REVENUES		64,507	66,439	67,175	68,281	70,354
EXPENSES & TRANSFERS						
Personnel Services						
Faculty		(14,371)	(14,678)	(14,271)	(14,917)	(15,375)
Unclassified Staff		(9,906)	(9,896)	(9,990)	(9,780)	(10,002)
Classified Staff		(7,036)	(7,426)	(7,390)	(7,779)	(8,119)
Students, GA's, etc		(1,334)	(1,499)	(1,545)	(1,589)	(1,603)
Salaries Sub-total		(32,647)	(33,499)	(33,196)	(34,066)	(35,099)
PERS & ORP (Retirement Pgms)		(7,757)	(7,534)	(7,677)	(7,746)	(8,083)
PEBB (Healthcare)		(7,851)	(7,793)	(8,182)	(8,460)	(8,748)
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S&S Expenses		(13,933)	(12,231)	(12,753)	(12,527)	(12,840)
AP Program Share (AP)		(1,336)	(1,249)	(1,230)	(1,305)	(1,354)
Capital Expenses (CapEx)		(26)	(125)	(90)	(128)	(131)
Total S&S, CapEx, AP		(15,295)	(13,605)	(14,073)	(13,960)	(14,325)
Personnel and S&S before Transfers		(66,634)	(65,615)	(66,262)	(67,884)	(69,763)
Net from Operations Before Transfers		(2,127)	825	913	398	592
Budgeted Transfers (In & Out)		(2,529)	(2,706)	(2,706)	(2,806)	(2,923)
Transfers Adjustments						
Transfers Net (excluding relief funds)		(2,529)	(2,706)	(2,706)	(2,806)	(2,923)
Federal Relief Funds Transferred to E&G		2,879				
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Days of Operations		20.42	19.09	10.99	(1.71)	(13.37)
Months of Operations		0.68	0.64	0.37	(0.06)	(0.45)

FY 2026 Budget Development

- Adaptive Planning budgeting software roll-out to campus budget authorities to occur in February
- Training plan includes 1-on-1 Zoom sessions
- Budget authorities given full access to reports in Adaptive Planning and instant updates possible to see changes real-time

Financial Stability Reserves Target (Action)

Institutional Budget Committee Endorsement

Support for Establishing Financial Budget Reserve Goal for Southern Oregon University

The Institutional Budget Committee of Southern Oregon University supports and endorses the establishment of a Budget Reserve Fund goal for the institution. The proposed target, as we currently understand it, is to be equivalent to the total cost of operations for one full fall term, adjusted annually based on the previous fiscal year's costs. This endorsement is predicated on the understanding that the timeline and parameters to meet this goal will be developed in consultation with the Institutional Budget Committee and that development of a Budget Reserve Fund will take into account the following needs and values:

- The institution retains innovation as a driving value in decision-making;
- Existing projects and strategic priorities are not disadvantaged;
- Student tuition will not be increased in order to augment the fund;
- Development of the fund will be balanced against the need to appropriately compensate employees to ensure that SOU is an employer of choice in the region;
- Management of the fund will follow best practices; and
- Any disbursement from the fund will be carefully defined and controlled by the Board of Trustees.

Institutional Budget Committee Members

Bret Anderson, Faculty Appointed by President, Economics

Jonathan Chavez Baez, Staff Appointed by President; Assistant Vice President, Office for Equity, Diversity, and Inclusion

Andrew Gay, Dean, School of Arts and Communication

Hala Schepmann, Faculty Senate Designee, Chemistry; Faculty Representative, Board of Trustees

Garima Sharma, ASSOU Representative; Undergraduate Student Representative, Board of Trustees

Dennis Slattery, Faculty Senate Representative, Business

Julissa Taitano, ASSOU Representative; Graduate Student Representative, Board of Trustees

Sage TeBeest, Staff Assembly Designee (Classified Staff), SEIU President; Center for the Arts

Hart Wilson, Staff Assembly Designee (Unclassified Staff), Staff Assembly Chair; CISR and CATL

**Southern Oregon University
Board of Trustees**

**RESOLUTION
Establishing Financial Stability Reserves Target**

Whereas, building budget reserves is an important component of long-term financial stability and strategic planning to meet the University's objectives, and failing to adequately plan poses a risk to the University;

Whereas, it is the goal of Southern Oregon University to maintain financial budget reserves adequate to ensure responsible fiscal management, advance University priorities, and mitigate current and future risk; and

Whereas, in accordance with Oregon Law, the Board of Trustees of Southern Oregon University may acquire, receive, hold, keep, pledge, control, convey, manage, use, lend, expend and invest all moneys, appropriations, gifts, bequests, stock and revenue from any source; Now therefore,

Be it resolved, that the Finance and Administration Committee of the Board of Trustees of Southern Oregon University hereby recommends the following to the governing Board of Trustees:

1. The Board of Trustees establish a budget reserve that shall be equivalent to the operating expenses of one fall term, to be calculated based on the fall term preceding each fiscal year;
2. Southern Oregon University will achieve this financial budget reserve goal on a timeline to be determined; and
3. No expenditure shall be made from this reserve fund without the prior approval of the governing Board of Trustees of Southern Oregon University.

VOTE:

DATE: January 16, 2025

University Board Secretary

SOU Endowment Fund Update

SOU Endowment – Update on Western Asset Core Plus Bond Fund

Background

The Western Asset Core Plus Bond (Fund) investment has been a core fixed income holding in SOU's endowment since its inception in 2015 and a top recommendation by the investment team at the Oregon State Treasury (OST). The fund's performance has lagged its benchmark since 2021, just prior to the Federal Reserve's efforts to tame rising inflation by raising short-term interest rates 5.25% over 15 months. The Fund has been on our watch list for potential replacement due to poor performance over three and five year periods. The Fund's five year average performance, net of fees, as of November 30, 2024, was negative 3.17%, underperforming its benchmark by 348 basis points.

In October 2024, the SEC launched an investigation into suspicious trading by the co-CIO (Chief Investment Officer) and one of the fund managers for the Fund. Western Asset placed the co-CIO on a leave of absence during the investigation. Following discussions with the management at Western Asset and their parent Franklin Templeton, OST guidance was to remain invested in the Fund, however, not invest new money.

On November 25, 2024, the SEC charged the former co-CIO (Ken Leech) with fraud for engaging in a multi-year scheme to allocate favorable trades to certain portfolios and was fired by Western Asset. Following discussion and guidance provided by OST, staff recommended the headline risk and potential business risk warranted a consideration to replace the Fund. [SEC.gov | SEC Charges Ken Leech, Former Co-Chief Investment Officer of Western Asset Management Co., with Fraud](#)

Action

On December 6, 2024, SOU senior leadership agreed with USSE staff's recommendation to sell the Fund and hold the proceeds in cash until a replacement fund is selected. The Fund was sold on December 9, 2024. The cash will be invested in the Oregon Short-Term Fund, currently yielding 4.8% annualized. This action creates a temporary compliance violation to the investment policy asset allocation guidelines for cash (0-3%) and fixed income (20-30%).

OST will be meeting with their consultant to review alternative active fixed income manager options and passive fixed income exchange traded funds during December. USSE staff anticipate the purchase of a replacement fixed income fund for SOU's Endowment in the next 60 to 90 days and a corresponding remedy of the policy compliance violation.

Core Information System Replacement (CISR) Project Update

Future Meetings

Adjournment