



OFFICE OF THE BOARD OF TRUSTEES

Public Meeting Notice

October 8, 2020

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 via Videoconference

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

Topics of the meeting will include a vice president's report with a review of the financial dashboard and updates on COVID-19 and enrollment. Information and discussion items include reports on fourth quarter investments as well as revenue; updates on the budget, high-level cost containment, and the Higher Education Coordinating Commission; and discussion on the committee's proposed meeting schedule for 2021-2022.

The meeting will occur as follows:

Thursday, October 15, 2020

4:00 p.m. to 6:00 p.m. (or until business concludes)

Visit governance.sou.edu for meeting materials.

To join or view the proceedings, visit <https://sou.zoom.us/j/84621890734> at the time of the meeting.

If special accommodations are required or to provide written public comment or testimony, please contact Kathy Park at (541) 552-8055 at least 72 hours in advance.

Public Comment

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



Board of Trustees
Finance and Administration Committee Meeting
October 15, 2020

Call to Order / Roll / Declaration of a Quorum



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

**Thursday, October 15, 2020
4:00 p.m. – 6:00 p.m. (or until business concludes)
Videoconference
<https://sou.zoom.us/j/84621890734>**

AGENDA

Please note: times are approximate and items may be taken out of order.

- | | | | |
|---------|----------|--|--|
| | 1 | Call to Order/Roll/Declaration of a Quorum | Chair Sheila Clough |
| | 1.1 | Welcome and Opening Remarks | |
| | 1.2 | Roll and Declaration of a Quorum | Sabrina Prud'homme,
SOU, Board Secretary |
| | 1.3 | Agenda Review | Chair Clough |
| | 2 | Public Comment | |
| 5 min. | 3 | Consent Agenda | |
| | 3.1 | Approval of June 18, 2020 Meeting Minutes | Chair Clough |
| 15 min. | 4 | Vice President's Report | Greg Perkinson, SOU, Vice
President for Finance and
Administration |
| | 4.1 | Committee Dashboard | |
| | 4.2 | COVID-19 Update | |
| | 4.3 | Enrollment Update | |
| | 5 | Action, Information and Discussion Items | |
| 25 min. | 5.1 | Investment Update: Fiscal Year 2019-20 Fourth
Quarter | Penny Burgess, USSE,
Director of Treasury
Management Services |
| 10 min. | 5.2 | Revenue Report | Greg Perkinson |
| 25 min. | 5.3 | Budget Update | Greg Perkinson |
| 15 min. | 5.4 | High-level Cost Containment Update | Greg Perkinson |

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

**Thursday, October 15, 2020
4:00 p.m. – 6:00 p.m. (or until business concludes)**

AGENDA (Continued)

10 min.	5.5	Higher Education Coordinating Commission Update	Greg Perkinson
5 min.	5.6	Proposed 2021-2022 Committee Meeting Schedule	Chair Clough
	5.7	Future Meetings	Chair Clough
	6	Adjournment	Chair Clough

Public Comment

Consent Agenda

Board of Trustees
Finance and Administration Committee Meeting
Thursday, June 18, 2020
Videoconference

MINUTES

Call to Order/Roll/Declaration of a Quorum

Committee Members:

Sheila Clough	Present	Paul Nicholson	Present
Les AuCoin	Present	Bill Thorndike	Present
Shaun Franks	Present	Steve Vincent	Present
Megan Davis Lightman	Present		

Chair Sheila Clough called the meeting to order at 4:04 p.m. The secretary recorded the roll and a quorum was verified.

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

Other attendees and Zoom webinar panelists included: Greg Perkinson, Vice President for Finance and Administration; Jason Catz, General Counsel; Dr. Neil Woolf, Vice President for Enrollment Management and Student Affairs; Dr. Susan Walsh, Provost; Janet Fratella, Vice President for University Advancement; Jeanne Stallman, Associate Vice President for Government and Corporate Relations; Sabrina Prud'homme, Board Secretary; Josh Lovern, Budget Office; and Kathy Park, Office of the Board Secretary.

Public Comment

There was no public comment.

Consent Agenda

Trustee Lightman moved to approve the consent agenda as presented. Trustee AuCoin seconded the motion and it passed unanimously.

Vice President's Report

Greg Perkinson expressed his deep sense of appreciation to SOU's employees for their sacrifices and work through these difficult times. COVID-19 is creating a rapidly-changing environment and employees are doing critically-important work to prepare for the summer and fall terms.

Mr. Perkinson addressed an item from a prior meeting's public comment period: selling municipal bonds to provide operating revenue. He and Jason Catz detailed why it would not be viable for SOU. Chair Clough said the suggestion and comments signal that the campus community is interested in being innovative and part of the solution.

Committee Dashboard

Greg Perkinson reviewed the financial dashboard. Revenue did not change much in

May. There is no change in enrollment and a change would not be expected at this point. He noted the \$3 million disconnect in revenue receipts.

On the expense side, the categories are doing well, comparing current execution to the burn rate. Positive indicators are in Supplies and Services expenses and savings in Other Personnel Expenses tied to vacancies. This all rolls up to the Education and General (E&G) fund balance, which is behind the target. However, Mr. Perkinson was pleased to note that, although SOU did not receive \$3 million in revenue as planned, the gap is close to the target of the fund balance.

In response to Vice Chair Nicholson's question about the relationship between the E&G fund balance and operating cash, Mr. Perkinson said the operating cash is tracking actual cash against plan. The revenue losses compared to the target show the softening of receipts. When looking at all the institution's cash funds, there are unrestricted and restricted funds. The restricted cash amounts have remained fairly steady, which include plant cash. Regarding the cash loss in housing, Mr. Perkinson said housing received payments then issued remissions and refunds against them.

HECC Update

Mr. Perkinson said the HECC had two meetings the previous week. Regarding capital projects, SOU's music hall project moved up three positions in the batting order, which increases the probability of getting some funding.

Turning to the agency request for budget, Mr. Perkinson said Jim Pinkard gave a presentation at a HECC meeting on the history of how higher education was funded in the last recession, the impact of state actions and how defunding from various states nationwide affected increases in tuition. At the end of the presentation, Commissioner Rowe commented on the tension she felt between the soundness of his argument and the reality that there is no way the HECC will get the funding it is going to request.

At that meeting, Ben Cannon provided an update on the projected budget rescission. Originally, it was a plan for an 8.5 percent budget cut, which ties to SOU's \$3 million loss in state appropriation. Mr. Cannon indicated the new number is 3 percent, which ties to a \$1 million reduction for SOU. Staff updated the pro forma scenarios accordingly. Mr. Perkinson added there will be a lot of planning to get through the next fiscal year and prepare for the next biennium. President Schott cautioned that the HECC does revenue projections throughout the year and it is possible there could be a midyear rescission, which has happened before.

Mr. Perkinson thanked everyone – legislators, trustees, regional business leaders, students, faculty and staff – who provided testimony on behalf of SOU's financial situation related to the Student Success and Completion Model (SSCM). SOU has great support in telling its story.

COVID-19 Financial Impacts

Greg Perkinson highlighted the recession-related charts in the meeting materials, which were taken from the state's revenue forecast. The recovery is protracted and

tourist-reliant regions may have the largest impacts. The current estimate for the loss in revenue is \$2.7 billion in the current biennium, \$4.4 billion in the 2021-23 biennium and \$3.4 billion in the 2023-25 biennium. There are three budgetary reserves available to the governor and legislature. He said the strategy may be to use the fund balance in the next fiscal year to soften the cuts in the current biennium. In the next biennium, the question is how the other reserves will be utilized.

He then reviewed the COVID-19 fiscal impacts on SOU and the summary of CARES Act funding, as included in the meeting materials.

Action, Information and Discussion Items

Fiscal Year 2020-21 Budget (Action)

Greg Perkinson summarized the budget forecast variables, as included in the meeting materials. One scenario is that SOU receives no relief from the state or federal governments; the other scenario envisions \$3 million in relief. Each scenario includes two additional variants: -10 percent enrollment with an 8 percent ending fund balance and -20 percent enrollment with a 5 percent ending fund balance. In the scenario with no financial relief and -10 percent enrollment, \$6.4 million in cost reductions would be needed to reach an 8 percent ending fund balance.

Responding to Trustee AuCoin's inquiry regarding enrollment, Dr. Neil Woolf said fall registrations are currently down 10-13 percent from last year. However, for various reasons, year-to-year comparisons are just a bit off but the figures are in that ballpark.

Responding to inquiries from Chair Clough and Board Vice Chair Nicholson, Mr. Perkinson said the cost reductions highlighted in the budget forecast variables would be new reductions needed to hit the target. Of the \$3 million in reductions in the current fiscal year, only a portion are recurring and those are laid into the budget plan. Mr. Perkinson estimated that one-fourth to one-third of the savings are recurring. The nonrecurring savings are ones that have to be made all over again. Over a two-year period from this fiscal year and next, the cost reductions are about \$9-10 million.

Mr. Perkinson then reviewed the second scenario, which reflects the optimistic hope of receiving \$3 million in financial relief. This could come from state or federal funding or from the SSCM if SOU's advocacy is successful. He then mentioned the opportunities for cost reductions in scenario 2A, the administration's recommendation, including faculty negotiations, layoffs, extending furloughs through the end of the fiscal year, other savings such as continued travel restrictions, and continuing the hiring freeze.

Chair Clough summarized the two scenarios and critical variables, saying all options will require additional cost reductions. The difference in the amount of reductions is related to how much relief is received or if SOU reaches its enrollment projections.

President Schott added that the other variable is the ending fund balance the board would approve. The board previously asked the university to maintain at least an 8 percent ending fund balance. In the most dire scenarios, the administration would ask that it be reduced to 5 percent. As a reminder, President Schott said a 5 percent ending

fund balance is about 3 weeks of operating expenses. Mr. Perkinson later said an 8 percent ending fund balance would be about 4-5 weeks of operating expenses.

Responding to Vice Chair Nicholson's inquiries, Mr. Perkinson clarified that the furloughs through the end of the current calendar year are already included in the pro forma. The estimated \$1.5 million in projected reductions are for furloughs or layoffs for the second half of the fiscal year. The currently negotiated salary increases are included in the pro forma. President Schott reminded everyone that the projected reductions are examples of how the gap might be closed, they are not plans. This is not a good scenario but is the most realistic. The administration would do its best to come up with alternative ways to make the cuts that are the least damaging.

Vice Chair Nicholson expressed his concern about the timing of financial relief and any decrease in enrollment, noting that every week past the end of the fiscal year makes the ability to reduce costs more difficult as the time period decreases. Mr. Perkinson responded that the administration has implemented a plan to maximize cost reductions in the first half of the fiscal year. President Schott shared information on potential relief from the federal and state governments and stressed the importance of continued advocacy.

President Schott confirmed Chair Clough's comment that, if the committee approved one of the scenarios and a lever does not play out, this is a living budget and more changes would be needed. President Schott said a lot more would be known in October and Mr. Perkinson said he could envision presenting an amended budget at that time.

Mr. Perkinson reviewed the summary of expenditures by fund, included in the meeting materials. The proposed budget for fiscal year 2021 reflects scenario 2A. He stressed that there is so much uncertainty about what is going to happen in the fall; the figures are principally based on what was adopted last year. He explained that the proposed budget exceeds the fiscal year 2020 estimate to completion because the budget is a request for approval to spend, although cuts will be made to reduce the expenditures. Vice Chair Nicholson summarized the figures by saying the fiscal year 2021 proposed budget (after making \$3.6 million in cuts) is the same as the fiscal year 2020 estimate to complete, even though there are known cost increases (e.g., negotiated salaries).

Trustee AuCoin moved to approve the resolution recommending the board adopt the fiscal year 2020-2021 budget, as presented. Trustee Lightman seconded the motion and it passed unanimously.

Chair Clough, several trustees and President Schott praised Mr. Perkinson and his team and thanked them for their hard work.

Future Meetings

Chair Clough said the committee's next meeting would be on October 15.

Adjournment

Chair Clough adjourned the meeting at 5:53 p.m.

Vice President's Report

Vice President's Report



- Dashboard
- COVID-19 Update

Financial Dashboard

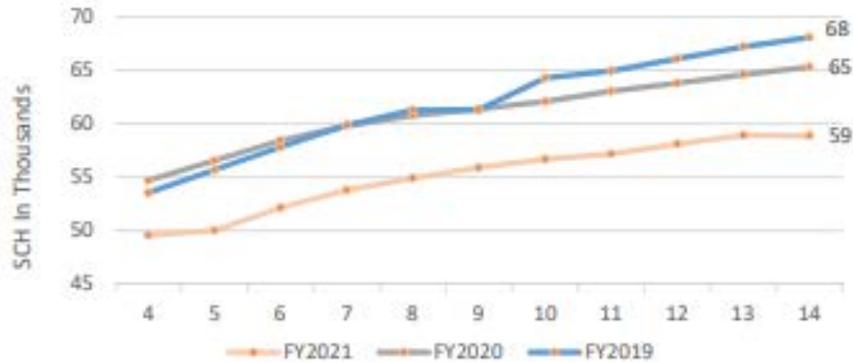
For FY2021

As of September, 2020 (prior to close)

Public University Funds Operating Cash



Total Student Credit Hours by Week of the Fiscal Year



E&G Fund Balance

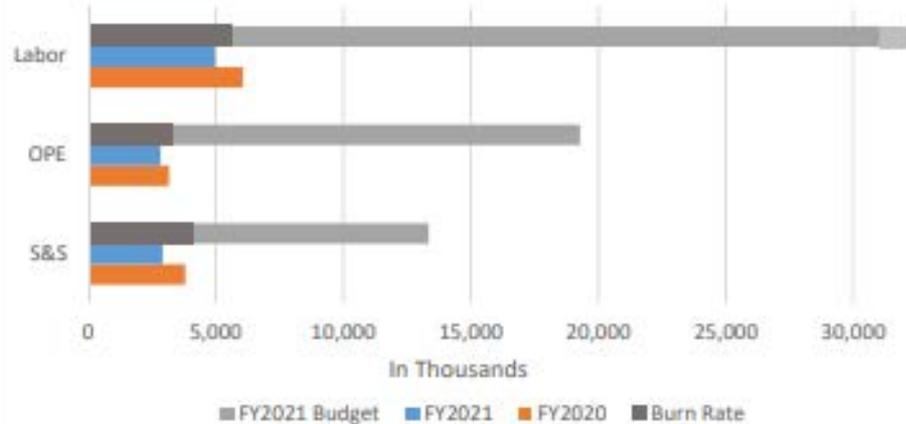


Continuing to Assess the COVID-19 Impacts

E&G YTD Revenues

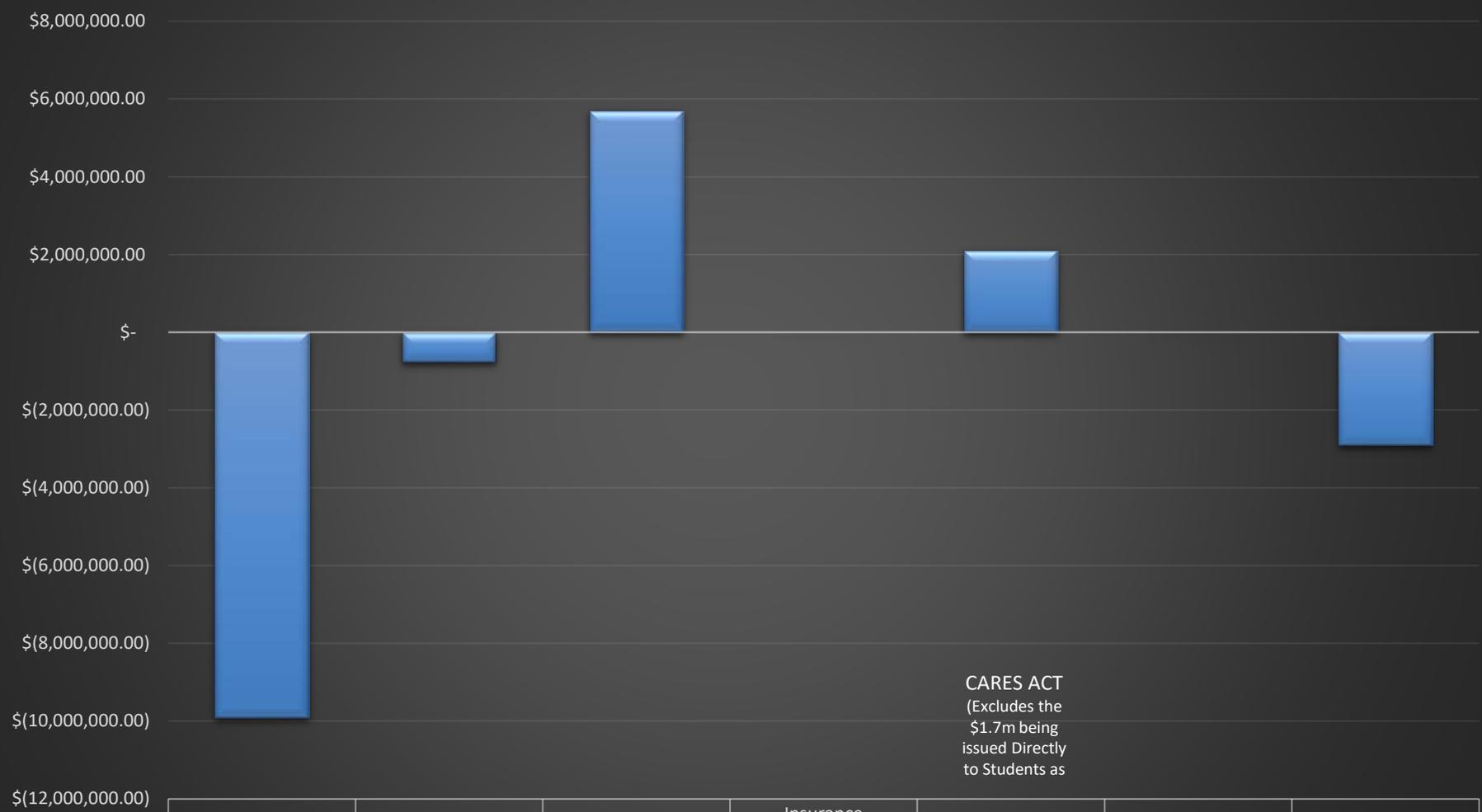


E&G YTD Select Expenses



COVID-19 Fiscal Impact

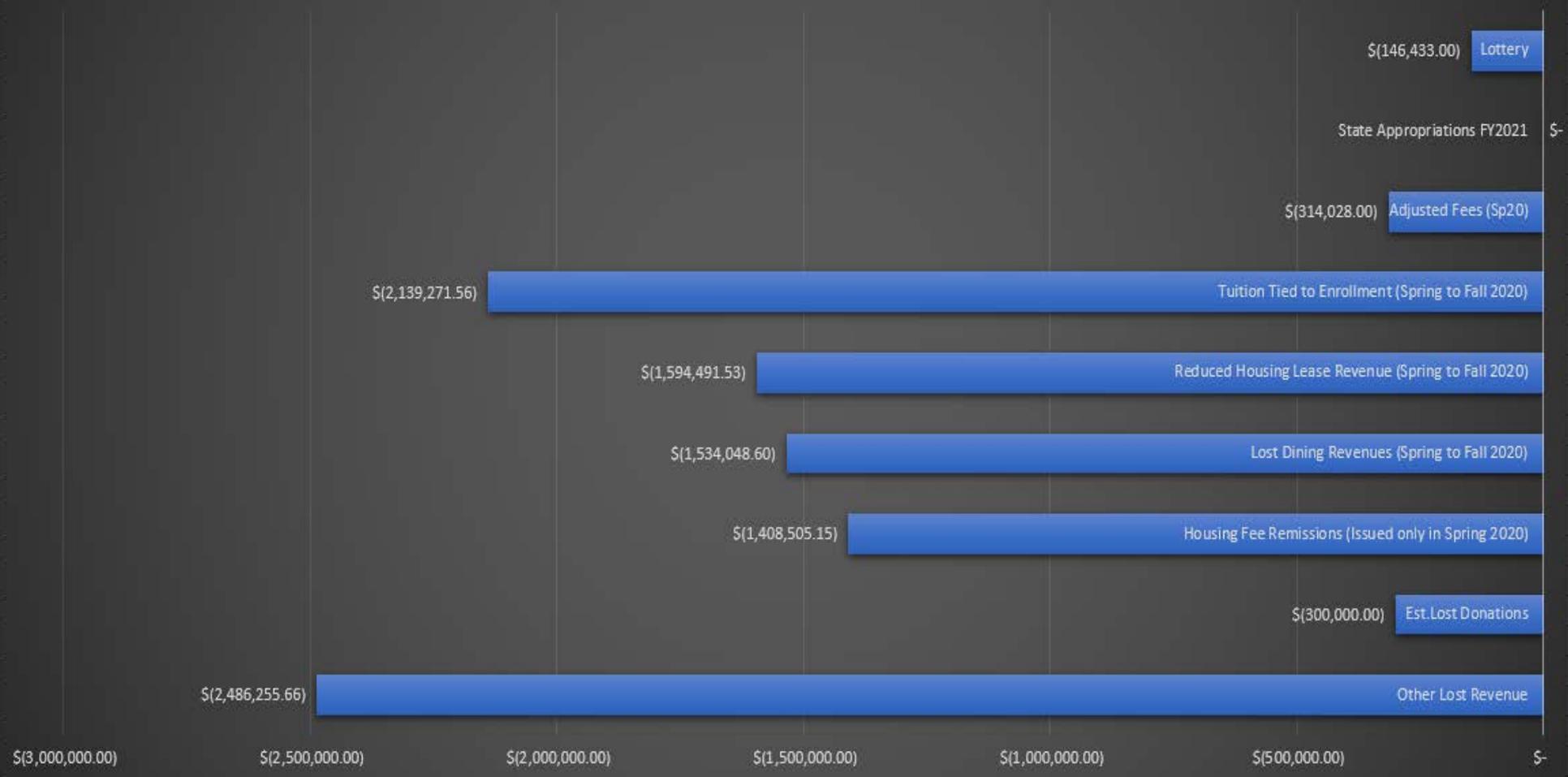
8/11/2020



CARES ACT
(Excludes the \$1.7m being issued Directly to Students as

	Lost Revenues	Added Costs	Cost Avoidance	Insurance Recoveries	Federal Recoveries	State Recoveries	Total Impact
Series1	\$(9,923,033.50)	\$(783,233.24)	\$5,696,519.81	\$-	\$2,104,469.00	\$-	\$(2,905,277.93)

COVID-19 Fiscal Impact
Lost Revenues
8-11-2020



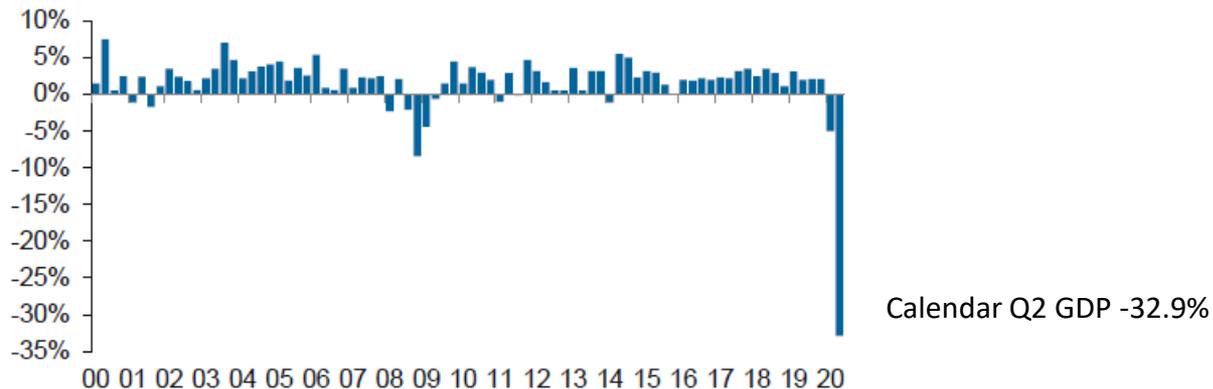
Investment Update: Fiscal Year 2019-20 Fourth Quarter

Investment Report – FY20

FY20 Market Highlights

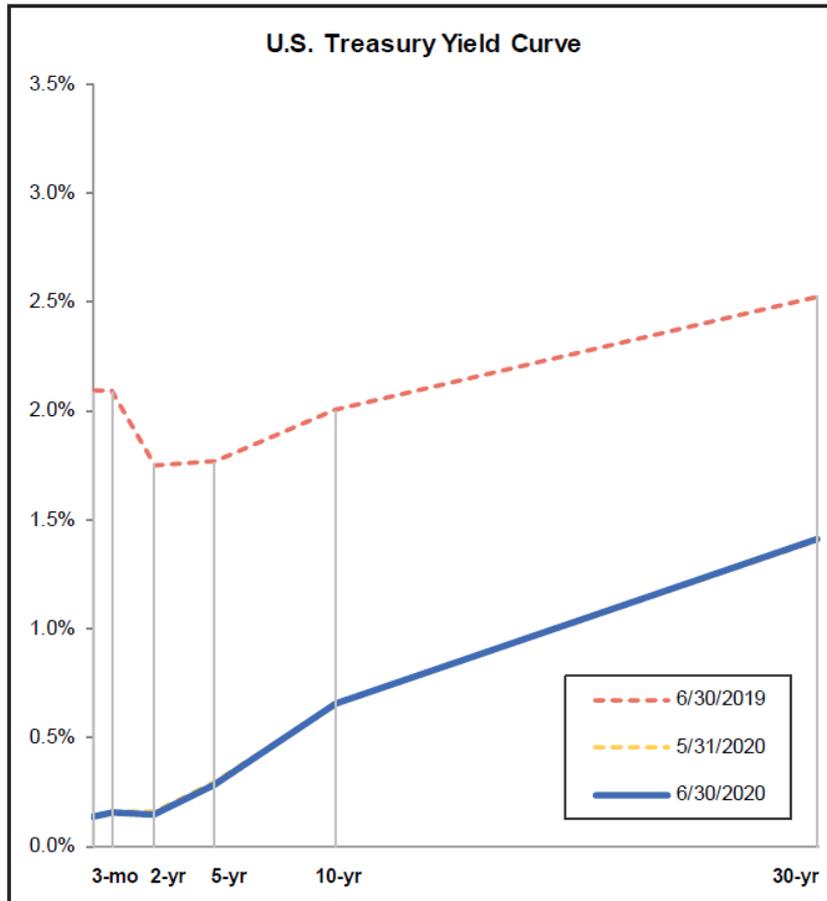
- Central bank support and fiscal stimulus in response to COVID-19 fueled investor confidence, injected needed liquidity and stabilized markets.
- S&P 500 +20.5% (Q4), +7.5% (FY20)
- MSCI ACWI ex-U.S. +16.1% (Q4), -4.8% (FY20)
- Barclays U.S Aggregate Bond +2.9% (Q4), +8.7% (FY20)

Quarterly Real GDP Growth



Source: Bloomberg, PFM

Investment Report – FY20



Source: Bloomberg, PFM

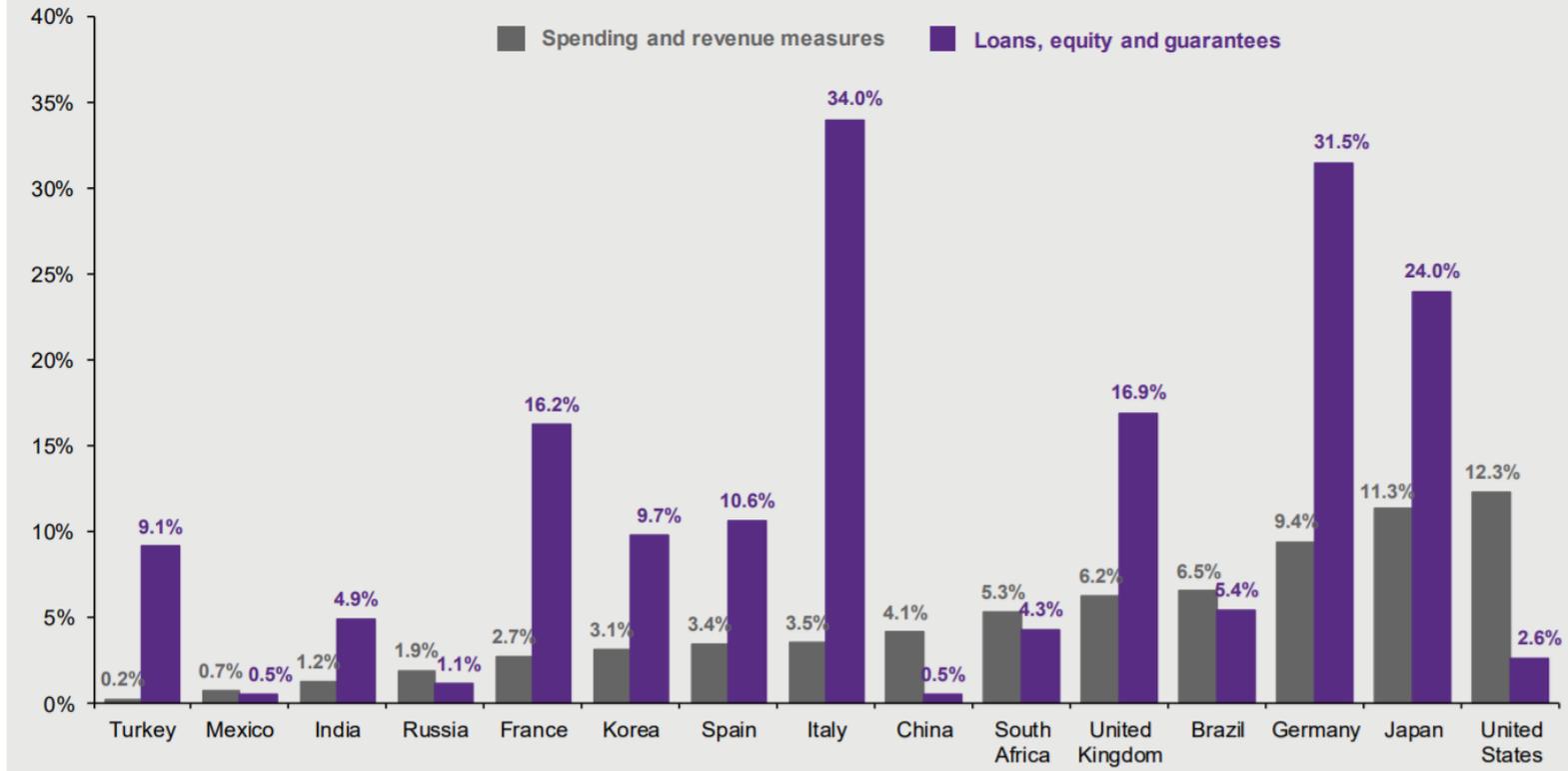
Fed cut overnight rates to zero (0.0 – 0.25%)

Lower rates translates into lower interest earnings

Investment Report – FY20

Fiscal response to COVID-19

% of GDP



Source: IMF Fiscal Monitor, J.P. Morgan Asset Management.
Fiscal measures are estimates from the IMF's Fiscal Monitor Database from June 2020.
Guide to the Markets – U.S. Data are as of August 19, 2020.

Investment Report – FY20

Q4 and FY20 Performance – Operating Assets

- Public University Fund +1.1% (Q4), +4.2% (FY20)
 - Oregon Short-Term Fund +0.4% (Q4), 1.6% (FY20)
 - Core Bond Fund +1.9% (Q4), 6.5% (FY20)
 - 12-month annualized yield +3.1%
- \$18.9M SOU Total Operating Assets, Investment Earnings \$767K
- Sold \$126.7 million of Core Bond Fund assets in Q4, generated \$6.1 million in realized gains distributed proportionally to university participants.
- New investment officers at Oregon State Treasury
- Public University Fund investment policy 2-yr review in January 2021

Investment Report – FY20

Q4 and FY20 Performance – Endowment Assets

- SOU Endowment +16.1% (Q4), 3.2% (FY20)
 - Blackrock All Country World Index +19.9% (Q4), 1.5% (FY20)
 - Western Asset Core Plus Bond Fund +6.6% (Q4), 8.1% (FY20)
- \$2.5M Total Endowment Assets
- Portfolio rebalanced in August 2020 (75% equity/25% fixed income)
- Annual Spend (4%) distributed in September 2020 (\$92,973)

Action Items

- None



Public University Fund (PUF)

Investment Statement
April 1, 2020 - June 30, 2020
Q4 FY20

Southern Oregon University
Steve Larvick, Controller
1250 Siskiyou Blvd
Ashland, OR 97520

**Quarter-to-Date
as of 06/30/20**

Beginning Market Value	\$31,191,100
+ Contributions	254,724
- Withdrawals	(12,596,644)
+/- Change in Market Value	14,628
Ending Market Value	\$18,863,808

Units Owned	184,879.133
Price per Unit	\$102.03319

	<u>Quarter-to-Date</u>	<u>Year-to-Date</u>
Gross Investment Earnings	\$256,470	\$767,101
Participant Fees	(1,746)	(17,457)
Participant Fee Credit	-	2,154
Net Investment Earnings	<u>\$254,724</u>	<u>\$751,798</u>
Realized Gain/(Loss) on Sale of Investments	\$192,611	\$444,789
Unrealized Gain/(Loss) on Investments		\$154,849

Questions? Please contact Mary Hatfield, 541.737.0843

mary.hatfield@oregonstate.edu

FY2020 Q4 Investment Reports

BACKGROUND

The Southern Oregon University (university) investment reports for the fourth quarter (Q4) of FY2020 are presented in the following sections:

- **FY2020 Q4 Southern Oregon University Investment Report** – This section includes a report on the investments of the operating and endowment assets of the university. This report reflects the university's operating assets that are invested in the Public University Fund and the university's endowment investments managed by the Oregon State Treasury.
- **FY2020 Q4 Market Commentary** – This section provides a general discussion of the investment markets and related performance data for the fourth quarter of FY2020 (i.e., April 1 – June 30, 2020).

FY2020 Q4 SOUTHERN OREGON UNIVERSITY INVESTMENT REPORT

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

Public University Fund

Southern Oregon University's operating assets are invested in the Public University Fund (PUF). The PUF gained 1.1% for the quarter and 4.2% for the fiscal year through June 30, 2020. The PUF's three-year and five-year average returns were 3.3% and 2.7%, respectively.

The Oregon Short-Term Fund (OSTF) returned 0.4% for the quarter and 1.6% for the fiscal year, outperforming its benchmark by 40 basis points for the quarter and in line for the fiscal year. The Core Bond Fund returned 1.9% for the quarter and 6.5% for the fiscal year, underperforming its benchmark for the quarter and fiscal year by 30 and 50 basis points, respectively. The investment yield on the PUF portfolio was 3.1% for the fiscal year.

In July, Oregon State Treasury fixed income investment officers, Will Hampson and John Lutkehaus, conducted a quarterly performance review with university staff. The pandemic induced economic shutdown drove the U.S. economy into its first recession in more than a decade, as GDP fell by an annualized 5% during the first calendar quarter of the year, while the unemployment rate registered 11.1% in June. Despite the economic malaise, high-quality fixed income sectors performed well during the quarter, particularly driven by the Fed's backstop for corporate notes and mortgage-backed securities, propelling the Bloomberg Barclay's U.S. Aggregate Bond Index higher by 2.9% during the quarter.

The Core Bond Fund's 30 basis point benchmark underperformance was primarily due to a higher than normal cash position to meet the Administrator's request to raise \$126.7 million during the quarter. The proceeds were invested in the Oregon Short-Term Fund to provide an ample liquidity cushion for university participants during fiscal year 2021. The sales generated \$6.1 million in realized gains and will be distributed proportionally to university participants

through the quarterly earnings distribution, aiding university participant's cash flow management during a challenging financial environment.

Despite the temporary, yet significant, liquidity challenges across the fixed income markets during the fiscal year, the PUF's focus on high-quality and short-to-intermediate duration securities resulted in a respectable 4.2% total return on invested assets during fiscal year 2020.

A factsheet detailing each investment pool's portfolio characteristics and market exposures is included with this report.

SOUTHERN OREGON UNIVERSITY ENDOWMENT FUND

The SOU Endowment Fund increased by 16.1% for the quarter and 3.2% for the fiscal year, outperforming its policy benchmark by 150 basis points for the quarter, and underperforming its benchmark for the fiscal year by 70 basis points. The three-year average return was 5.9% compared to 5.8% for the benchmark. The Fund ended the quarter with a balance of \$2.5 million.

The majority of the Fund's assets (73.5%) are allocated to a global equity index strategy, while 26.5% of the portfolio is allocated to an "actively" managed fixed income fund. For the three months ended June 30, 2020, the Western Asset Core Plus Bond Fund returned 6.6%, outperforming the Bloomberg Barclays U.S. Aggregate Bond Index by 370 basis points. The Blackrock All-Country World Index outperformed its benchmark by 10 basis points for the quarter, increasing by 19.9%.

The portfolios will be reallocated to the policy target allocation of 75% equity and 25% fixed income, during August 2020. The portfolio reallocation will coincide with the annual cash raising exercise ahead of the September earnings distribution to income recipients.

Southern Oregon University

Investment Summary

as of June 30, 2020

(Net of Fees)

	Quarter Ended 6/30/2020	Current Fiscal YTD	Prior Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Range
SOU Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	0.4%	1.6%	2.6%	2.2%	1.6%	1.1%	\$ 12,619,264	66.9%	1
Benchmark - 91 day T-Bill	0.0%	1.6%	2.3%	1.8%	1.2%	0.6%			
PUF Core Bond Fund	1.9%	6.5%	6.3%	4.1%	N/A	N/A	6,244,544	33.1%	1
Blended Benchmark ²	2.2%	7.0%	6.7%	4.3%	3.6%	N/A			
Public University Fund Total Return	1.1%	4.2%	5.0%	3.3%	2.7%		<u>\$ 18,863,808</u>	<u>100.0%</u>	
Public University Fund Investment Yield	1.0%	3.1%	2.7%	2.7%	2.2%				
SOU Endowment Assets									
BlackRock ACWI IMI B	19.9%	1.5%	4.8%	5.8%	6.4%	N/A	\$ 1,846,958	73.5%	75.0%
Benchmark - MSCI ACWI IMI Net	19.8%	1.2%	4.6%	5.5%	6.1%	9.1%			
Western Asset Core Plus Bond Fund	6.6%	8.1%	9.4%	5.6%	5.5%	5.3%	665,479	26.5%	25.0%
Benchmark - Bloomberg Barclays Aggregate Index	2.9%	8.7%	7.9%	5.3%	4.3%	3.8%			
Cash	0.4%	1.6%	2.6%	2.2%	1.6%	1.1%	718	0.0%	0.0%
Benchmark - 91 day T-Bill	0.0%	1.6%	2.3%	1.8%	1.2%	0.6%			
							<u>2,513,155</u>	<u>100.0%</u>	
Arrowstreet Tax Reclaim Receivable							330	0.0%	
Total Endowment Assets	16.1%	3.2%	6.1%	5.9%	6.3%	8.7%	<u>\$ 2,513,485</u>	<u>100.0%</u>	
Policy Benchmark ³	14.6%	3.9%	5.9%	5.8%	5.8%	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 Blended Benchmark Composition: 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

³ Policy Benchmark Composition: 75% Morgan Stanley Capital Indices All-Country World Investable Market Index Net , 25% Bloomberg Barclays Aggregate Bond Index.

Note: Outlined returns underperformed their benchmark.

Oregon Short Term Fund

June 30, 2020

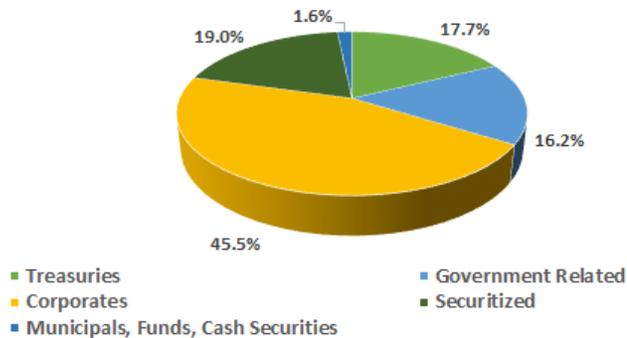
Portfolio Characteristics

Market Value 06/30/2020	\$ 388,802,696
Weighted Average Credit Quality	AA
Book Yield (%)	1.15
Weighted Average Maturity (years)	1.06
Duration (years)	0.56
Spread Duration (rate)	0.84

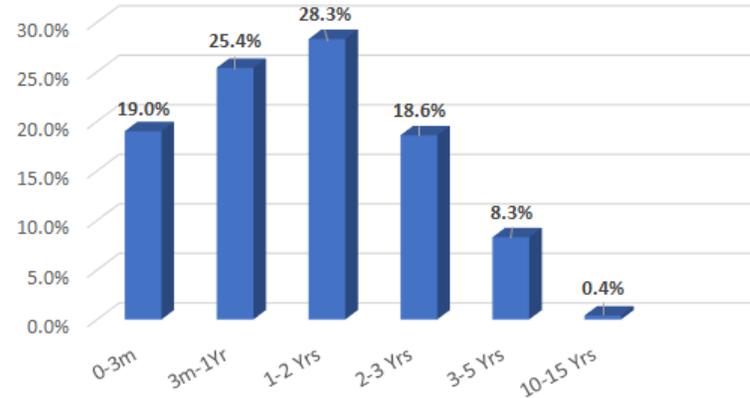
Top 10 Issuers

United States Treasury	17.5%
Wells Fargo & Company	3.4%
Caterpillar Incorporated	3.4%
Toyota Motor Corporation	2.9%
Citigroup Incorporated	2.7%
Federal Farm Credit Banks Funding Corporation	2.4%
Royal Bank of Canada	2.1%
Federal Home Loan Banks	1.9%
Morgan Stanley	1.9%
Sweden (Kingdom of)	1.7%
Total	39.9%

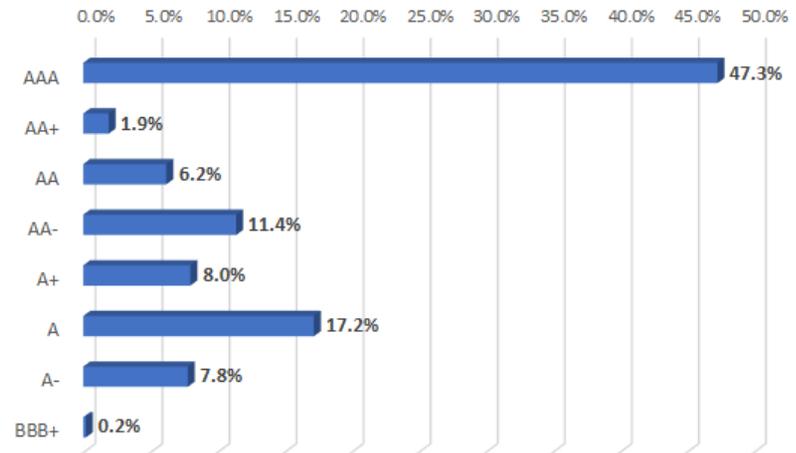
Sector Allocations



Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

Core Bond Fund

June 30, 2020

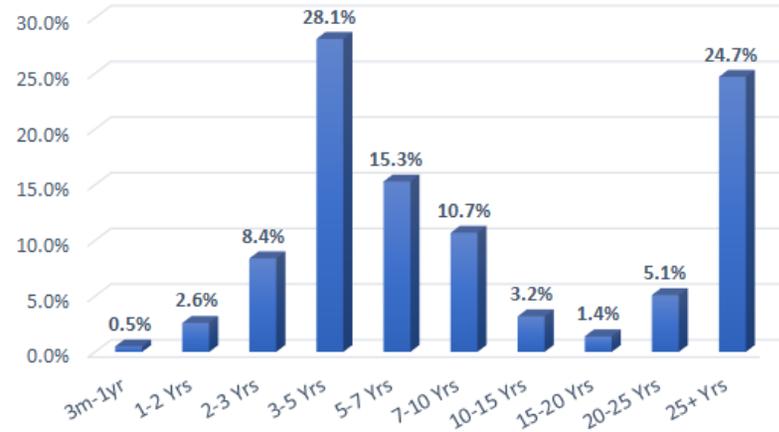
Portfolio Characteristics

Market Value 06/30/2020	\$ 192,395,981
Weighted Average Credit Quality	AA-
Book Yield (%)	2.01%
Weighted Average Maturity (years)	4.20
Duration (years)	3.53
Spread Duration (rate)	2.83

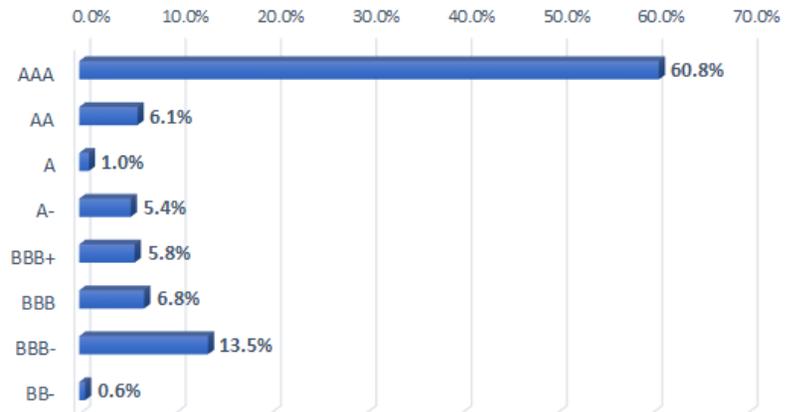
Top 10 Issuers

United States Treasury	29.7%
Federal National Mortgage Association	9.3%
Oregon State Treasury (Oregon Short-Term Fund)	5.9%
TC Energy Corporation	3.0%
Williams Companices Incorporated	2.5%
Kinder Morgan Incorporated	2.4%
Molson Coors Beverage Company	2.4%
Fannie Mae ACES 17-M5	2.2%
Dupont De Nemours Incorporated	2.0%
Cheniere Energy Incorporated	1.7%
Total	61.1%

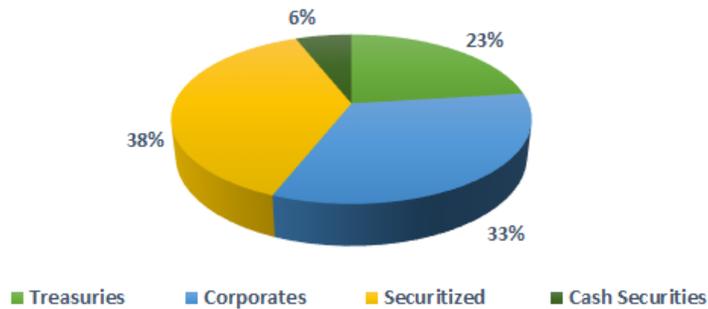
Maturity Breakdown



Credit Quality Distribution



Sector Allocations



Source: Oregon State Treasury

FY2020 Q4 MARKET COMMENTARY

(Prepared by Callan Associates, consultants to the Oregon Investment Council)

Macroeconomic Environment

Main Street vs. Wall Street

The S&P 500 Index notched its best quarter since 1998 with a 20.5% return, nearly erasing its first calendar quarter loss. Developed and emerging market equity indices posted returns approaching 20%. High yield bond and emerging market debt markets were up over 10%. Oil prices doubled, closing at roughly \$40 a barrel (West Texas Intermediate). However, calendar year-to-date returns across these market segments remain negative, and some in red double-digits. The Russell 1000 Growth Index, up nearly 10% calendar year to date due to its heavy weight in highflying technology stocks, is a lone exception.

While Wall Street was in celebration mode, much of Main Street continued to suffer. Against the backdrop of stellar asset price performance, rising cases of the COVID-19 virus in the U.S. tempered optimism going into quarter-end. Some cities have reversed their re-openings as new cases have mounted. While certain economic data have surprised on the upside (from very depressed levels), much uncertainty remains. "The path forward for the economy is extraordinarily uncertain and will depend in large part on our success in containing the virus," said Fed Chair Jerome Powell at a recent meeting. "A full recovery is unlikely until people are confident that it is safe to reengage in a broad range of activities."

Officially, the U.S. economy entered a recession in February 2020, according to the National Bureau of Economic Research. Some estimate that we emerged in May, which would make this the shortest recession ever. A number of promising statistics point to a rebound—but it should be noted that they have yet to recoup the losses incurred in March/April. Retail sales grew a record 18% (-6% calendar year-over-year) in May. Durable goods orders also delivered on the upside; up 16% in May (-18% calendar year-over-year). And housing received a boost from relatively low mortgage rates. Pending home sales were up 44% in May but remain down 5% calendar year-over-year. Personal spending rose 8% in May, a monthly record, but is down 9% calendar year-over-year. Further, certain segments of the economy have not participated in this recovery and are likely to be impacted for some time. Hotels, restaurants, airlines, and many small businesses have been among the hardest hit.

Not all the economic data have been good. While roughly 5 million jobs returned in May and June, 19 million were lost in April. Unemployment (11.1% in June) remains elevated, and while jobless claims have decelerated, they continue to hover around 1.5 million per week, with those receiving state benefits at roughly 18 million.

Further evidence of the ongoing stress is reflected in downgrades and defaults. According to data from J.P. Morgan, defaults across bonds and loans totaled \$100 billion thus far in calendar 2020, the most since the entire year of 2009, and defaults in U.S. high yield bonds reached a 10-year high of 6.2%. As for equities, a recent Wall Street Journal article noted that "more than 40% of the companies in the S&P 500 have pulled their guidance as the coronavirus pandemic has doused U.S. corporations in uncertainty."

First calendar quarter GDP contracted 5.0%, but the second calendar quarter is expected to be far worse, with estimates spanning a wide range (-30% to -40% annualized) and changing by the day. For 2020, the median expectation from the Fed is for a decline of 6.5%, but the range

among Federal Open Market Committee members is -10.0% to -4.2%. Fed forecasts for 2021 are similarly disparate, with a median 5.0% gain and a range of -1.0% to 7.0%.

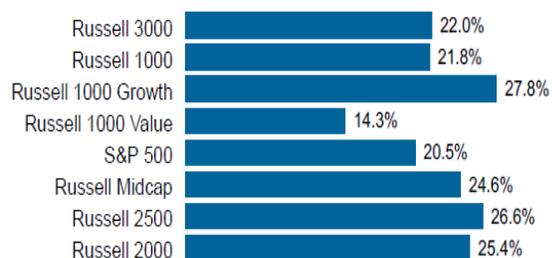
A tsunami of central bank support and fiscal stimulus fueled confidence and pumped liquidity into the markets. The Fed not only left rates at close to 0%, but it also announced that it would likely leave them there until at least calendar 2022. Fiscal stimulus in a multitude of flavors approaches \$3 trillion, nearly 14% of Gross Domestic Product (GDP), and globally the figure is a stunning \$8 trillion, or 9% of global GDP, according to Natixis Portfolio Research and Consulting Group and the International Monetary Fund. While some of these programs have been controversial, collectively they have been incredibly effective in restoring liquidity and confidence. In some cases, a mere announcement had a significant impact on markets before the program was implemented.

Overseas, a similar story unfolded. Central bank support and rate cuts have bolstered confidence and liquidity; some economic indicators seem to indicate the worst is over. However, it is worth noting that virus-related statistics are far more favorable in Europe and Asia than in the U.S. And emerging markets have not seen their “virus curves” flatten, especially in Latin America, India, and Russia. Far from rosy, the Organization for Economic Co-operation and Development recently released its global calendar 2020 real GDP forecast: -6.0%—and this assumes no “second wave” for the virus.

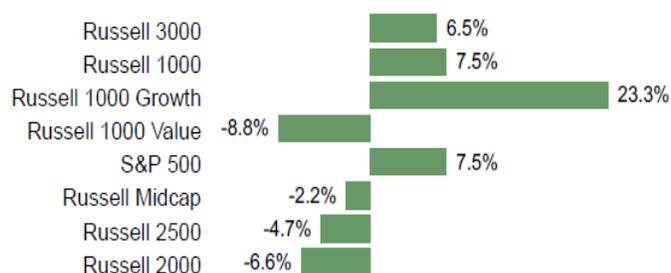
Equity Markets

U.S. stock markets posted double-digit returns in the second calendar quarter, with some segments erasing all of the first calendar quarter’s sharp losses. Growth, benefiting from its 44% exposure to Technology, sharply outperformed value (Russell 1000 Growth: +27.8%; Russell 1000 Value: +14.3%) and the spread is even larger on a calendar year-to-date basis (Russell 1000 Growth: +9.8%; Russell 1000 Value: -16.3%). Small caps outperformed large (Russell Microcap +38.8%; Russell 2000: +25.4%; Russell 1000: +21.8%). Within the S&P 500 (+20.5%), several sectors posted returns over 30% (Energy, Consumer Discretionary, Technology) while Utilities (+2.7%) fared the worst. It is worth noting that the “FAAMG” (Facebook, Amazon, Apple, Microsoft, Google) stocks accounted for nearly 30% of the return for the S&P 500; collectively the group was up 35% for the quarter.

U.S. Equity: Quarterly Returns

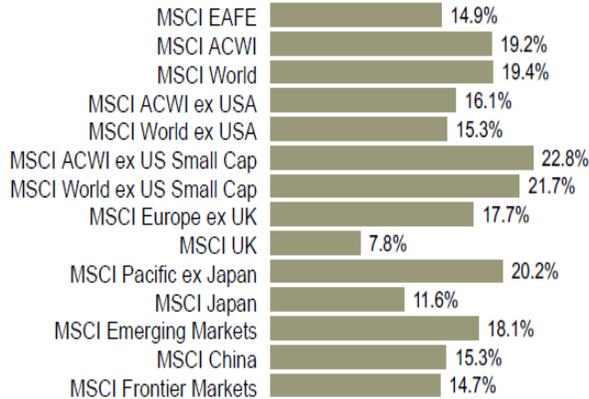


U.S. Equity: One-Year Returns

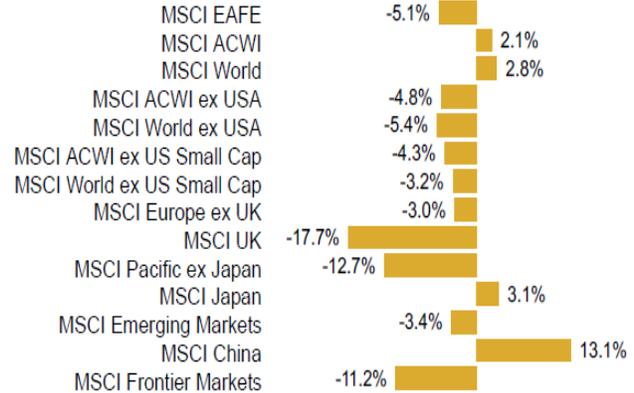


Outside of the U.S., double-digit returns were broad-based across developed and emerging markets (Morgan Stanley Capital International (MSCI) All Countries World Index ex-USA: +16.1%; MSCI Emerging Markets: +18.1%) but both remain down roughly 10% over the six-month period. As in the U.S., growth outperformed value.

Global Equity: Quarterly Returns



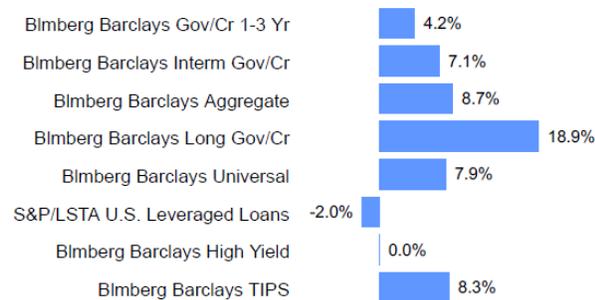
Global Equity: Annual Returns



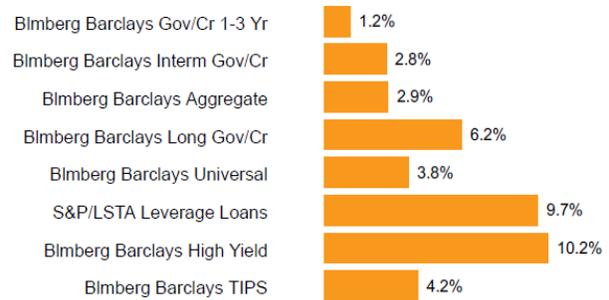
Fixed Income Markets

U.S. Treasury yields were range-bound in the second calendar quarter; the 10-year U.S. Treasury yield closed the quarter at 0.66%; down 4 bps from March 31 and down sharply from the calendar year-end level of 1.92%. As a result, the Bloomberg Barclays U.S. Treasury Index was up a modest 0.5% for the quarter. Other sectors recovered from sharp underperformance in the first calendar quarter as investor confidence improved. For the quarter, the Bloomberg Barclays U.S. Aggregate Bond Index gained 2.9%, with non-Treasury sectors faring the best. This is a stark contrast to the first calendar quarter, when U.S. Treasuries were virtually the lone sector to post a positive return. The Bloomberg Barclays U.S. Corporate Bond Index rose 9.0% in the second calendar quarter but has underperformed like-duration U.S. Treasuries by 540 bps calendar year-to-date. The Bloomberg Barclays High Yield Bond Index posted a double-digit return (+10.2%) in calendar Q2 but remains down 3.8% calendar year-to-date.

U.S. Fixed Income: Annual Returns



U.S. Fixed Income: Quarterly Returns



Rates were lower overseas, fueled by rate cuts across a broad swath of countries and strong performance from corporates. The Bloomberg Barclays Global Aggregate ex-U.S. Bond Index rose 3.4% (unhedged). Emerging market debt indices posted lofty results (Emerging Market Bond Index Global Diversified: +12.3%; Global Bond Index-Emerging Market Global Diversified: +9.8%) but remain down single digits from calendar year-end. Municipal bonds also rebounded from relatively poor performance in the first calendar quarter; the Bloomberg Barclays Municipal Bond Index rose 2.7% in the second calendar quarter but is up only 2.1% calendar year-to-date.

Closing Thoughts

It is no exaggeration to say that we are living in unprecedented times, and we face a vast array of social, geopolitical, financial, and health challenges. Uncertainty remains high across these arenas, and yet markets have recovered swiftly from the wreckage of the first calendar quarter. While there are some indications of light at the end of the tunnel, the ultimate impact of the pandemic on the economy remains unclear. Wall Street prices reflect a relatively optimistic viewpoint that has yet to be proven by fundamental data. While central bank intervention has been swift and heavy, helping to restore confidence and liquidity, investors should be mindful that we remain in uncharted territory. The oft-cited economic recovery alphabet descriptors (V, W, L, U) do little to describe the pace of the recovery or the ultimate repercussions for the economy and society. Amid this uncertainty, social justice, environmental awareness, and wealth inequality are issues that seem to have gained some momentum and perhaps have drawn strength from these challenging times, during which we have had to adapt to new rules in a swift fashion.

While the economic picture remains fluid and uncertain, Callan's advice to investors remains clear and consistent: We recommend adherence to a disciplined investment process that includes a well-defined long-term asset allocation policy.

Outline

- Revenue Report (Enrollment, state funding, etc.)
- Budget Update
- Cost Containment Efforts
- HECC Update

Revenue Report

(materials forthcoming)



Revenue Trendline Example Metric

5 Year Revenue Monthly Average & Projection for E&G Tuition & Fee Revenues



(2)

(2)

	July	August	September	October	November	December	January	February	March	April	May	June
5-Year Average	2,342,256	25,784	11,959,316	(183,020)	46,951	10,826,202	(273,678)	279,274	10,029,926	183,887	23,741	856,395
YTD	2,889,266	(867)	11,809,503	(183,020)								
Projection				(183,020)	44,604	10,284,892	(259,994)	265,310	9,528,429	174,692	22,554	813,575

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Budget Update

Budget Snapshot and Highlights

- We closed FY 20 with 7.9% operating revenue in E&G
- In June, to maintain 8% of Operating Revenue, the board approved a budget that required **\$6.4M** in new cuts
- Higher Ed was held harmless in the budget announcement made in July...so new cut was **\$4.4M**
- In mid September, after furloughs, and cuts across the board, the new target—cut **\$1.9M**
- So, this will be hard, but we have a pathway

Board Approved Scenario

(-10% Enrollment SCH)

- Includes 3% State budget rescission; revenue losses (\$1M + \$1.2M)
- Assumes Furlough savings through 12/31 (\$1.7M in E&G)
- Includes extension of hiring freeze through Summer term (\$300k)
- Includes 20% of CARES allocation (\$1.88M) to E&G (= \$253k)
- Outcome: **CUTS of \$6.43M to achieve minimum 8%**

	2018-19	2019-20	2019-20	2020-21
Education and General	Actual	BUDGET	ESTIMATE	FAST BUDGET
<i>(in thousands of dollars)</i>	<i>(000's)</i>	<i>(000's)</i>	<i>(000's)</i>	<i>(000's)</i>
Revenue				
State Appropriations: SSCM	21,270	22,696	22,696	23,357
<i>Funding Changes</i>				(1,007)
Total State Funding (SSCM,ETSF,SELP)	21,651	23,072	23,074	22,710
Tuition	37,709	40,047	38,854	36,741
Fees	3,294	3,547	3,522	3,472
Raider Aid	(3,638)	(3,600)	(4,063)	(3,307)
<i>Oth tuition & fee adjustments</i>				
Tuition, net of Raider Aid	37,365	39,994	38,313	36,906
<i>Growth Opportunities</i>				
<i>Revenue External to modeling</i>				253
Misc. Other Revenue	3,013	2,950	2,706	2,767
TOTAL REVENUES	62,030	66,016	64,093	62,636
Personnel Services				
Faculty	(15,801)	(16,560)	(16,059)	(17,395)
Admin	(9,230)	(10,051)	(9,744)	(8,976)
Classified	(6,484)	(6,824)	(6,487)	(6,219)
Student (& Other)	(1,500)	(1,615)	(1,501)	(1,643)
Salaries Total	(33,014)	(35,050)	(33,792)	(34,233)
Retirement (PERS + ORP)	(7,007)	(9,142)	(7,917)	(8,214)
PEBB	(7,306)	(7,687)	(7,304)	(7,825)
Other	(3,018)	(3,502)	(3,088)	(3,420)
OPE	(17,331)	(20,331)	(18,310)	(19,460)
<i>Vacancy Adj.</i>				
<i>Other Adj. to Labor</i>			214	
Net Personnel	(50,344)	(55,381)	(51,887)	(53,693)
Supplies & Services	(11,732)	(11,116)	(10,705)	(11,370)
<i>Program Investment</i>			0	
<i>S&S Adjustments</i>			117	
Total Supplies and Services	(11,732)	(11,116)	(10,589)	(11,370)
Cost Reductions and Savings		2,380	As Modeled	6,430
TOTAL EXPENDITURES	(62,077)	(64,117)	(62,476)	(58,633)
Net from Operations Before Transfers	(47)	1,899	1,617	4,003
Budgeted Transfers	(1,739)	(1,971)	(2,330)	(2,411)
<i>Transfers Adjustments</i>				(1,220)
NET TRANSFERS	(1,739)	(1,971)	(2,330)	(3,631)
Change in Fund Balance	(1,786)	(71)	(713)	371
Beginning Fund Balance	7,139	5,352	5,352	4,639
Ending Fund Balance	5,354	5,280	4,639	5,010
% Operating Revenues	8.63%	8.00%	7.24%	8.00%

Updated (7-21-20) Scenario (-10% Enrollment SCH)

- Removes 3% State budget rescission; revenue losses (\$1M + \$1.2M)
- Assumes Furlough savings through 12/31 (\$1.7M in E&G)
- Includes extension of hiring freeze through Summer term (\$300k)
- Includes 20% of CARES allocation (\$1.88M) to E&G (= \$253k)
- Outcome: **CUTS of \$4.4M to achieve minimum 8%**

	2017-19 Biennium	□	2019-21 Biennium	
	2018-19	2019-20	2019-20	2020-21
Education and General <i>(in thousands of dollars)</i>	Actual <i>(000's)</i>	BUDGET <i>(000's)</i>	ESTIMATE <i>(000's)</i>	FAST BUDGET <i>(000's)</i>
Revenue				
State Appropriations: SSCM	21,270	22,696	22,696	23,357
<i>Funding Changes</i>				
Total State Funding (SSCM,ETSF,SELP)	21,651	23,072	23,074	23,716
Tuition	37,709	40,047	38,917	36,641
Fees	3,294	3,547	3,516	3,461
Raider Aid	(3,638)	(3,600)	(3,965)	(3,298)
<i>Oth tuition & fee adjustments</i>				
Tuition, net of Raider Aid	37,365	39,994	38,469	36,804
<i>Growth Opportunities</i>				
<i>Revenue External to modeling</i>				253
Misc. Other Revenue	3,013	2,950	1,934	1,977
TOTAL REVENUES	62,030	66,016	63,476	62,751
Personnel Services				
Faculty	(15,801)	(16,560)	(16,083)	(17,395)
Admin	(9,230)	(10,051)	(9,617)	(8,976)
Classified	(6,484)	(6,824)	(6,362)	(6,219)
Student (& Other)	(1,500)	(1,615)	(1,445)	(1,643)
Salaries Total	(33,014)	(35,050)	(33,508)	(34,233)
Retirement (PERS + ORP)	(7,007)	(9,142)	(7,881)	(8,214)
PEBB	(7,306)	(7,687)	(7,312)	(7,825)
Other	(3,018)	(3,502)	(3,253)	(3,420)
OPE	(17,331)	(20,331)	(18,447)	(19,460)
<i>Vacancy Adj.</i>				
<i>Other Adj. to Labor</i>				
Net Personnel	(50,344)	(55,381)	(51,955)	(53,693)
Supplies & Services	(11,732)	(11,116)	(10,260)	(11,370)
<i>Program Investment</i>			0	
<i>S&S Adjustments</i>				
Total Supplies and Services	(11,732)	(11,116)	(10,260)	(11,370)
Cost Reductions and Savings		2,380	As Modeled	4,391
TOTAL EXPENDITURES	(62,077)	(64,117)	(62,214)	(60,672)
Net from Operations Before Transfers	(47)	1,899	1,262	2,079
Budgeted Transfers	(1,739)	(1,971)	(1,676)	(1,997)
<i>Transfers Adjustments</i>				
NET TRANSFERS	(1,739)	(1,971)	(1,676)	(1,997)
<i>Change in Fund Balance</i>				
Beginning Fund Balance	7,139	5,352	5,352	4,938
Ending Fund Balance	5,354	5,280	4,938	5,020
% Operating Revenues	8.63%	8.00%	7.78%	8.00%

Updated (9-15-20) Scenario

(-10% Enrollment SCH)

- Updates state funding, w/ PUSF held harmless
- Assumes Furlough savings through 12/31 (\$1.7M in E&G)
- Includes Faculty furloughs (8 days totaling \$650K) and other labor cuts (\$1.2M)
- Includes extension of hiring freeze through Summer term (\$300k) and 20% of CARES allocation to E&G (\$253k) as part of loaded budget (not in orange).
- Outcome: **CUTS** of \$1.9M to achieve minimum **8%**

	2019-20	2020-21	2020-21
	Actual	BUDGET	Forecast
(in thousands of dollars)	(000's)	(000's)	(000's)
Education and General			
<i>Revenue</i>			
State Appropriations: SSCM	22,696	23,357	23,357
<i>Funding Changes</i>			
Total State Funding (SSCM,ETSF,SELP)	23,074	23,716	23,716
Tuition	39,365	36,945	36,945
Fees	3,167	3,373	3,373
Raider Aid	(3,965)	(3,325)	(3,325)
<i>Oth tuition & fee adjustments</i>			
Tuition, net of Raider Aid	38,567	36,993	36,993
<i>Growth Opportunities</i>			
<i>Revenue External to modeling</i>			
Misc. Other Revenue	2,453	2,145	2,145
TOTAL REVENUES	64,095	62,855	62,855
<i>Personnel Services</i>			
Faculty	(16,083)	(17,419)	(17,419)
Admin	(9,617)	(9,097)	(9,097)
Classified	(6,362)	(6,203)	(6,203)
Student (& Other)	(1,445)	(1,643)	(1,643)
Salaries Total	(33,508)	(34,363)	(34,363)
Retirement (PERS + ORP)	(7,881)	(8,233)	(8,233)
PEBB	(7,312)	(7,613)	(7,613)
Other	(3,275)	(3,432)	(3,432)
OPE	(18,469)	(19,278)	(19,278)
<i>Vacancy Adj.</i>			
<i>Other Adj. to Labor</i>			
Net Personnel	(51,977)	(53,641)	(51,810)
Supplies & Services	(10,477)	(11,683)	(11,683)
<i>Program Investment</i>			
<i>S&S Adjustments</i>			
Total Supplies and Services	(10,477)	(11,683)	(11,321)
Cost Reductions and Savings		4,108	1,915
TOTAL EXPENDITURES	(62,454)	(61,216)	(61,216)
Net from Operations Before Transfers	1,641	1,638	1,638
Budgeted Transfers	(1,913)	(1,688)	(1,688)
<i>Transfers Adjustments</i>			
NET TRANSFERS	(1,913)	(1,688)	(1,688)
<i>Change in Fund Balance</i>			
Beginning Fund Balance	5,352	5,079	5,079
Ending Fund Balance	5,079	5,029	5,029
% Operating Revenues	7.92%	8.00%	8.00%

FY 21 Fiscal Challenge

Projected Budget Gap (including 'known savings') = \$ 1.9M*

In-process Cost Reductions

- Eliminate / freeze travel \$ 500K
- No catering / food at campus functions \$ 300K

Possible but Risky

- Continue Hiring Freeze \$ 650K**
- Transform processes / Near-term re-organization \$ 700K**

- New Revenue Generation? \$????***
- Total \$ 2.15M

High-level Cost Containment Update

Cost Management Strategies

- ✓ Biggest lever: personnel costs 82% of E&G costs
- Options are limited by contractual bargaining agreements, state requirements for universities' participation in PERS and PEBB.
- Actions that are more readily available:
 - ✓ Using OR work share program – Furlough 20-40%
 - ✓ Faculty furlough (8 days)
 - ✓ Hiring Freeze: Delay or keep open vacant positions
 - ✓ Salary freeze for Admin (could pivot to progressive salary redux)
 - Another option: temporary or permanent layoffs
- Supplies and services (cut hard already)
 - ✓ Some direct cost increases – technology; PPE and professional Development
 - ✓ Some savings – travel reimbursements
- ✓ Use of reserves (fund balance or building fee reserve) – a one-time stopgap...not sustainable
- ✓ Closely monitor Cash. Only 5 weeks of “run time” (ops reserves)

HECC Update

HECC Update

- SSCM update
- Meeting with Executive Director
- Strategy moving forward

Proposed 2021-2022 Committee Meeting Schedule

**SOU Board of Trustees
Board and Committee Meeting Schedule
Academic Years (AY) 2020-21 and 2021-22**

MEETING	Academic and Student Affairs	Finance and Administration	Executive and Audit	Board of Trustees
DAY	Third Thursdays	Third Thursdays	Third Fridays	Third Fridays
FREQUENCY	Four Times Per Year (and as needed for curriculum approvals)	Six Times Per Year	Five Times Per Year	Five Times Per Year
TIME	12:00-3:30 p.m.	4:00-6:00 p.m.	9:30-11:30 a.m.	12:00-5:00 p.m.
	January 21, 2021	January 21, 2021	January 22, 2021	January 22, 2021
		March 18, 2021		
	April 15, 2021	April 15, 2021	April 16, 2021	April 16, 2021
		May 20, 2021* 2:30-4:00 p.m.		May 20, 2021* 4:30-6:00 p.m.
	June 17, 2021**	June 17, 2021**	June 18, 2021**	June 18, 2021**
			September 1, 2021*	Retreat September 16-17, 2021
	October 21, 2021	October 21, 2021	October 22, 2021	October 22, 2021
	January 20, 2022	January 20, 2022	January 21, 2022	January 21, 2022
		March 17, 2022 (Budget focus)		
	April 21, 2022	April 21, 2022	April 22, 2022	April 22, 2022
		May 19, 2022 (Budget focus)		
	June 16, 2022	June 16, 2022	June 17, 2022	June 17, 2022
				Retreat September 15-16, 2022
	October 20, 2022	October 20, 2022	October 21, 2022	October 21, 2022

*Note the special date/time

** Meeting is after commencement

Future Meetings

Adjournment