Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
virtually via Microsoft Teams
Tuesday, June 11, 2024
9:30 am – 11:00 am

Finance and Facilities Committee
Agenda

1. **Call to Order/Roll/Declaration of a Quorum** (9:30 am) (5 min) *Chair Vince Jones*
2. **Consent Agenda** (9:35 am) (5 min) *Chair Vince Jones*
   2.1 Approve Minutes of the April 12, 2024, meeting.
3. **Action Item**
   3.1 FY 2024-25 Annual Budget (9:40 am) (40 min) *Vice President of Finance and Administration, John Harman*
4. **Reports**
   4.1 Fiscal Operations Advisory Council (FOAC) Report (10:20 am) (5 min) *Assistant Professor Don DaSaro*
   4.2 FY 2023-24 YTD April Management Report (10:25 am) (5 min) *VP Harman*
   4.3 Q-3 Financial Dashboard & Investments (10:30 am) (5 min) *VP Harman*
   4.4 FYE 2022-23 Financial Statement Ratios (10:35 am) (5 min) *VP Harman*
   4.5 Q-4 FY 2023-24 Facilities Report Written Report Included in Board Packet, *Director of Facilities, Management Services and Capital Planning, Thom Darrah*
   4.6 Eide Bailly, LLP Internal Audit Report (10:40 am) (10 min) Eide *Bailly reps Kristin Diggs, Audrey Donovan, and Douglas Sluyk*
5. **Discussion Items** (10:50 am) (5 min) *Chair Jones*
6. **Other Business/New Business** (10:55 am) (5 min) *Chair Jones*
7. **Adjournment** (11:00 am) *Chair Jones*

All times are approximate

Oregon TECH
Oregon Institute of Technology

Meeting of the
Oregon Tech Board of Trustees
Finance and Facilities Committee
Virtually via Microsoft Teams
April 10, 2024
9:30 am – 11:35 am

Finance and Facilities Committee
DRAFT Minutes

Trustees Present:

Vince Jones, Chair
Michele Vitali
Kanth Gopalpur
Mike Starr
Mason Wichmann
Stefan Bird
Dr. Nagi Naganathan (*ex officio*)

Other Trustees in Attendance:

John Davis
Phong Nguyen
Cec Amuchastegui

University Staff and Faculty Present in person:

Abdy Afjeh, Vice Provost for Research and Academic Affairs, Interim Dean of ETM & Acting Provost
Nesli Alp, Dean of Engineering, Technology & Management
Mandi Clark, Associate Vice President & Dean of Students & Interim VP for Student Affairs
Thom Darrah, Director-Facilities Management Services
Don DaSaro, President-Fiscal Operations Advisory Council
Kristin Diggs, Eide Bailly
Ken Fincher, Vice President of University Advancement & Interim Board Secretary
Lori Garrard, Executive Assistant to the VP of University Advancement
David Groff, General Council
John Harman, Vice President Finance & Administration
Devon Holmes, Clifton Larson Allen
Joanna Mott, Provost, Vice President Academic Affairs
Adria Paschal, Senior Executive Assistant to the President
Bryan Simkanich, Clifton Larson Allen
Bruce Taggart, Interim Associate Vice President & CIO
Eric Talbot, Soderstrom Architects
Doug Tripp, Executive Director of Resilience Emergency Management and Safety
Bryan Wada, Information Technology Consultant 2

1. **Call to Order/Roll/Declaration of a Quorum** *Chair Vince Jones*
   Chair Jones called the meeting to order at 9:33 a.m. The Board Secretary called roll and a quorum was declared.

2. **Consent Agenda** *Chair Vince Jones*

   2.1 Approve Minutes of the January 10, 2024 meeting.
   No changes to the minutes were voiced. Minutes approved as submitted.

3. **Reports**

   3.1 Fiscal Operations Advisory Committee (FOAC) Report *Professor Don DaSaro*

   - **Professor Don DaSaro** advised that FOAC met on April 2, 2024 and discussed budget deficits and possible reductions due to trending declining enrollment and the increasing costs of services and supplies. He advised that **VP Harman** will address the budget.

   3.2 FY 2023-24 YTD February Management Report *Vice President John Harman*

   - **VP Harman** provided the 2023-24 budget performance as of February. He shared revenue, labor expenses and direct expenses and net from operations. **Trustee Jones** summarized that revenue was slightly up, there are some salary savings due to vacant positions, and services and supplies costs are up. **Trustee Jones** stated that administration is still optimistic that Oregon Tech will be able to stay within the approved budget for this fiscal year.
   - **Trustee Davis** mentioned the Oregon Tech Foundation assets, stating they are endowed restricted funds. **VP Harman** and Trustees discussed state revenue and possible future situations regarding funds.

   3.3 Q-2 Financial Dashboard *VP Harman*

   - **VP Harman** reviewed the financial dashboard.

   3.4 Q-2 Investment Report, *VP Harman*

   - **VP Harman** reviewed the investment report regarding short-term funds and quasi-endowment.

   3.5 Q-3 FY 2023-24 Facilities Report, *Director Thom Darrah*

   - **Director Thom Darrah** shared capital project updates, including new student housing, geothermal systems emergency renovation, Boivin Hall traffic improvements, DPT research lab renovation, and ABA Clinic renovation.

   3.6 Update on Internal Audit Plan, *Eide Bailly, Internal Auditors*

   - **Kristin Diggs** from Eide Bailly reviewed the 2024 internal audit and the plan to focus on a cybersecurity risk assessment, grant management, and an assessment of OMIC operations.

4. **Action Items**

   4.1 FY 2023 Annual Financial Report and Audit, *CLA Representatives Bryan Simkanich and Devin Holmes*

   - **Bryan Simkanich** covered the scope of the engagements for the financial statement audit and single audit (compliance). He advised that the financial statement audit results were clean, with no significant deficiencies or material weaknesses.
   - **Devin Holmes** covered required auditor communications.

<u>MOTION</u>
After review of the FY 2023 Annual Financial Report, staff requests a **Motion to the full Board recommending approval of the Oregon Tech FY 2023 Annual Financial Report and Audit.**

Motion: Trustee Bird
Second: Trustee Starr

Roll Call Vote: Trustee Jones aye, Trustee Bird aye, Trustee Gopalpur aye, Trustee Starr aye, Trustee Vitali aye, Trustee Wichmann aye

Motion passed unanimously.

4.2 **FY 2023 Single Audit (Federal Funds Compliance),** *CLA Representatives Bryan Simkanich and Devin Holmes*

- **Bryan Simkanich** shared the single audit results with a clean and unmodified opinion over compliance. He discussed four non-compliance items, all being low-risk findings.

<u>MOTION</u>
After review of the Fiscal Year 2023 Single Audit Report, staff requests a **Motion to the full Board recommending approval of the Oregon Tech FY 2023 Single Audit Report.**

Motion: Trustee Starr
Second: Trustee Bird

Roll Call Vote: Trustee Jones aye, Trustee Bird aye, Trustee Gopalpur aye, Trustee Starr aye, Trustee Vitali aye, Trustee Wichmann aye

Motion passed unanimously.

5. **Discussion Items** *Chair Vince Jones*

5.1 **Discussion on 2025-27 biennium Capital Project Funding Submissions,** *VP Harman*

- **VP Harman** shared about the capital project submissions. He advised the submissions include the Learning Resource Center and Semon Hall.
- **Trustees** discussed the benefits of each project to Oregon Tech.

5.2 **Business Continuity and Disaster Recovery Briefing,** *Doug Tripp, Executive Director of Resilience, Emergency Management and Safety*

- **Director Doug Tripp** provided the background as to why this initiative was necessary at Oregon Tech. **Tripp** shared the goals, milestones, and deliverables.
- **Doug Tripp** shared the near-term and long-term steps to continue the success of the initiative.

6. **Other Business/New Business** *Chair Vince Jones*
   None

7. **Adjournment: 12:06 p.m.**

REPORT

Agenda Item No. 3.0

Finance, Facilities and Audit: Quarterly Update

Background

The Quarterly Finance, Facilities and Audit Status Report provides information on major responsibility areas under the Finance and Administration Division of Oregon Tech. The Report generally highlights budget performance, financial and enrollment indicators, facilities, equipment, capital projects and invested funds, as well as internal and external audit coordination. Depending on the timing of the quarterly Board meeting, some data may not yet be available for reporting. The information contained in the Report is used by the Office of the Vice President of Finance and Administration to track progress toward achieving the institution's financial and operational goals.

The report is shared with the Finance, Facilities and Audit Committee on a quarterly basis to provide information essential in supporting the Board's governance and fiduciary responsibilities.

Staff Recommendation

No action required. For information and discussion purposes only.

Reports/Attachments

Due to the timing of the June 2024 Board meeting and the related document submission deadline, some financial data through the end of the fourth quarter (June 2024) is not yet available. Finance, Facilities and Audit Status Reports include the following Attachments:

3.1- Fiscal Operations Advisory Council (FOAC) Report- v*erbal*
3.2- FY 2023-24 YTD April Management Report
3.3- Q-3 Financial Dashboard
3.4- Q-3 Investment Report
3.5- FYE 2022-23 Financial Statement Ratios
3.6- Q-4 FY 2023-24 Facilities Report
3.7- Eide Bailly, LLP- Internal Audit Report

FF&A Committee Item: 3.2

General Fund Monthly Report

FY 2023-24 April (in thousands)

	YTD Comparison		FY 2023-24 Budget & Forecast					
	FY 2022-23 April Actuals	FY 2023-24 April Actuals	FY 2022-23 Year End Actuals	FY 2023-24 Board Adopted Budget (BAB)	FY 2023-24 Adjusted Budget	FY 2023-24 Forecast	Forecast to Budget Variance	Notes
Revenue								
State Appropriations	$33,744	$36,813	$33,744	$33,942	$34,964	$36,806	$2,864	(1)
Tuition & Fees	37,168	38,151	37,487	39,514	39,514	38,300	(1,214)	(2)
Remissions	(6,554)	(7,270)	(6,600)	(5,805)	(5,805)	(7,350)	(1,545)	(3)
Other	2,646	3,117	3,498	2,374	2,395	3,720	1,346	(4)
Total Revenue	**$67,003**	**$70,811**	**$68,130**	**$70,024**	**$71,067**	**$71,476**	**$1,452**	
Expenses								
Administrative Staff Salary	$7,063	$7,269	$8,468	$10,234	$10,281	$8,676	($1,557)	
Faculty Salary	10,559	10,970	13,008	14,405	14,458	13,394	(1,011)	
Adjunct and Admin/Faculty Other Pay	2,393	2,472	3,622	3,649	3,617	3,780	131	
Classified	5,106	5,552	6,092	6,396	6,446	6,532	136	
Student	690	874	909	1,041	1,050	1,100	59	
GTA	82	67	94	121	121	94	(27)	
OPE	14,486	15,074	17,570	19,841	19,963	18,135	(1,707)	
Total Labor Expense	**$40,380**	**$42,278**	**$49,763**	**$55,687**	**$55,936**	**$51,711**	**($3,977)**	(5)
Service & Supplies	$11,832	$13,984	$14,560	$15,517	$16,770	$17,747	$2,230	(6)
Internal Sales	(1,064)	(1,045)	(1,287)	(1,388)	(1,388)	(1,258)	130	
Debt/Investment	1,420	1,399	1,718	1,208	1,208	1,612	404	(7)
Capital	227	627	620	175	371	847	672	(8)
Utilities	1,380	1,189	1,686	1,205	1,205	1,398	192	
Transfers In	-	-	-	-	-	-	-	
Transfers Out	1,433	1,406	1,433	1,406	1,406	1,406	-	(9)
Total Direct Expense	**$15,230**	**$17,560**	**$18,731**	**$18,123**	**$19,573**	**$21,751**	**$3,628**	
Total All Expense	**$55,609**	**$59,838**	**$68,494**	**$73,811**	**$75,509**	**$73,462**	**($349)**	
Net from Operations before Other Resources (Uses)	**$11,394**	**$10,973**	**($364)**	**($3,787)**	**($4,441)**	**($1,986)**	**$1,800**	(10)
Other Resources (Uses)								
Transfers In	$36	$16	$180	$887	$887	$406	($481)	(11)
Transfer Out	(340)	(146)	(441)	(100)	(100)	(990)	(890)	(12)
Use of Reserve	-	-	626	3,000	3,000	2,570	(430)	
Total Other Resources (Uses)	**($304)**	**($130)**	**$364**	**$3,787**	**$3,787**	**$1,986**	**($1,800)**	(13)
Total from Operations and Other Resources (Uses)	**$11,090**	**$10,843**	**$ -**	**$ -**	**($655)**	**$ -**	**$ -**	
Beginning Fund Balance	$17,218	$16,613	$17,218	$16,613	$16,613	$16,613	$-	
Fund Balance Adjustment	-	21	(605)	(3,000)	(3,000)	(2,570)	430	
Ending Fund Balance	**$28,308**	**$27,477**	**$16,613**	**$13,613**	**$12,958**	**$14,043**	**$430**	
Fund Balance as % Operating Revenues	42.2%	38.8%	24.4%	19.4%	18.2%	19.6%	1.4%	
Ending Cash Balance	$30,359	$27,743	$19,398					

Notes:

(1) **FY 2023-24 State Appropriations Forecast** - State appropriations increased from the Governor's budgeted four percent PUSF increase to the legislatively approved 11%.

(2) **FY 2023-24 Tuition & Fees Forecast** - Reflects impact of unexpected 5.6% enrollment decline (excludes ACP). Flat enrollment was budgeted for FY 2023-24.

(3) **FY 2023-24 Remissions Forecast** - Reflects impact of increased President's Award amounts.

(4) **FY 2023-24 Other Revenue Forecast** - Reflects unbudgeted increases in PUF earned interest and indirect grant revenue.

(5) **FY 2023-24 Total Labor Expense Forecast** - Reflects budgeted positions remaining unfilled for all or part of the year (mostly in administrative staff and faculty), and associated savings in other payroll expenses.

(6) **FY 2023-24 Service & Supplies Forecast** - Increase in spending due to multiple factors, including unbudgeted spend of TRU + PSU Financial Sustainability state appropriation, new marketing initiative, FY23 strategic investment carry forward, and accelerating software costs.

(7) **FY 2023-24 Debt Service/Investment Forecast** - Increase in spending due to realized Public University Fund investment losses.

(8) **FY 2023-24 Capital Forecast** - Increased capital spend resulting from FY23 equipment received in FY24 and planned spend of FY24 Academic Affairs equipment funds in capital instead of service and supplies.

(9) **FY 2023-24 Transfers Out YTD Actuals** - Transfers out are regular, budgeted support of Athletics and the Shaw Library.

(10) **FY 2023-24 Net from Operations YTD Forecast** - Because of increased revenue, the net loss at year-end is less than budgeted - however, that reduction is partially offset by reduced transfers in associated with reduced spent of prior year Applied Computing and Rural Health Initiatives funding.

(11) **FY 2023-24 Transfer In (Other Resources (Uses)) YTD Actuals, Budget & Forecast** - Budgeted transfers in include use of prior year Applied Computing and Rural Health Initiatives funding and miscellaneous transfers, reduced because of lower forecasted spend.

(12) **FY 2023-24 Transfer Out (Other Resources (Uses)) YTD Actuals, Budget & Forecast** - Transfers out include budgeted institutional support for the AIRE grant, unused TRU+PSU Sustainability funds, and miscellaneous transfers.

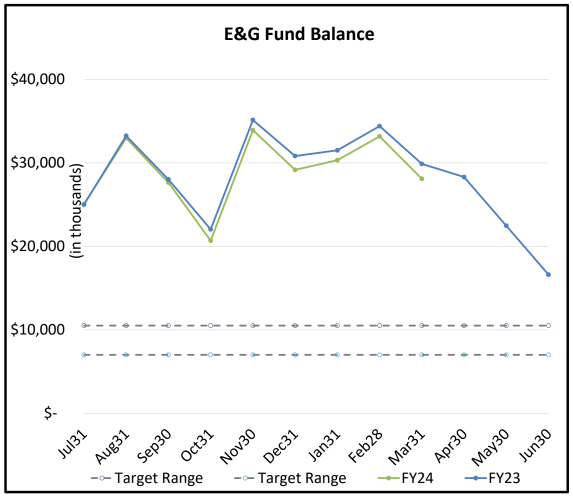
(13) **FY 2023-24 Total Other Resources (Uses) YTD Forecast** - Total Other Resources (Uses) is less than budgeted because of reduced transfers in of prior year Applied Computing and Rural Health Initiatives. increased transfers out. and lower use of reserve.

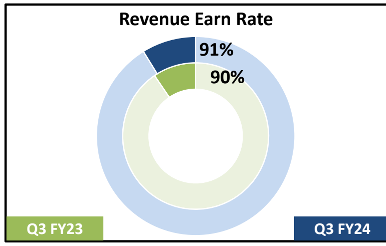
FF&A Committee Item 3.3

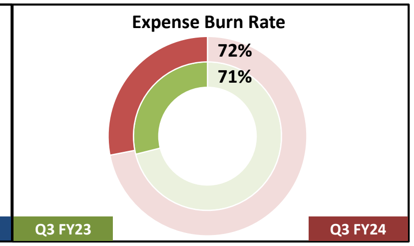
Oregon TECH

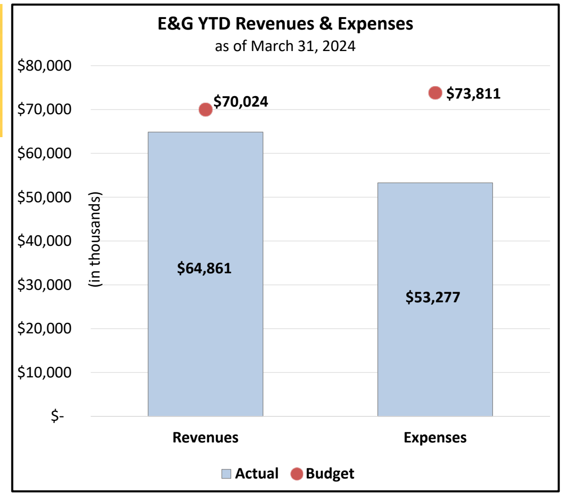
Quarterly Financial Dashboard

As of March 31, 2024 (Revised)







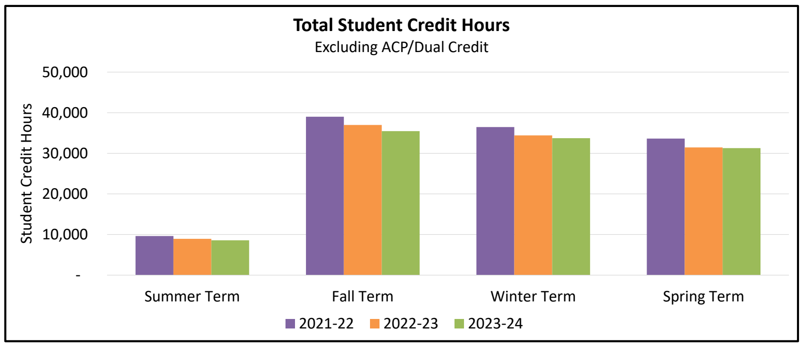


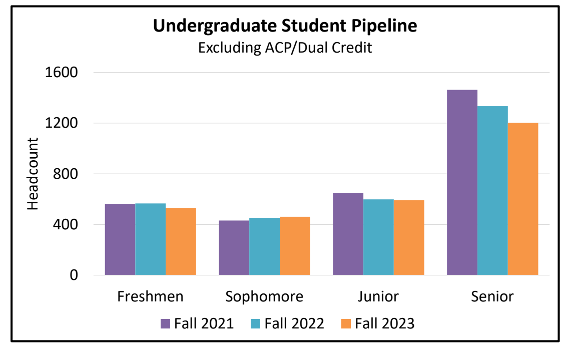
Key Financial Indicators		
E&G Fund Balance:	$28,096	As of March 31, 2024
Debt Burden Ratio:	4.29%	As of June 30, 2023
Quasi Endowment:	$6,785	As of March 31, 2024
Foundation Assets:	$41,583	As of June 30, 2023

Student Tuition

Undergraduate Tuition	2022-23	2023-24
Resident:	$10,002	$10,492
Non-Resident:	$31,837	$33,397
WUE:	$15,003	$15,738
Online:	$13,230	$13,860
Differential:	37% Premium	37% Premium

Graduate Tuition	2022-23	2023-24
Resident:	$18,404	$19,306
Non-Resident:	$30,896	$32,409
Online (MS-AH):	$15,048	$15,768
Online (MS-ET):	$21,888	$22,968
Resident (DPT):	$20,827	$21,848
Non-Resident: (DPT):	$34,963	$36,677
Differential:	37% Premium	37% Premium





Degree Completions

		2022-23	2021-22	2020-21	3 Year Δ
Undergraduate	Resident:	470	528	522	-10.0%
	Non-Resident:	193	237	244	-20.9%
Graduate	Resident:	17	25	31	-45.2%
	Non-Resident:	20	16	12	66.7%

Notes:

(1) Student tuition rates are shown at 15 credits per term for undergraduates and 12 credits per term for graduates.

FY2024 Q3 Investment Report

BACKGROUND

The Oregon Tech (university) investment report for the third quarter (Q3) of FY2024 is presented in the following sections:

- **FY2024 Q3 Oregon Tech 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 assets managed by the Oregon State Treasury.

- **FY2024 Q3 Market Commentary –** This section provides a general discussion of the investment markets and related performance data for the third quarter of FY2024 (i.e., January 1 – March 31, 2024).

FY2024 Q3 OREGON TECH INVESTMENT REPORT

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

Public University Fund
(Prepared by the Public University Fund Administrator)

Oregon Tech's operating assets are invested in the Public University Fund (PUF). As of March 31, 2024, OIT had $29.2 million on deposit in the PUF. The PUF increased 0.6% for the quarter and 4.1% fiscal year-to-date. The PUF's three-year and five-year average returns were 1.1% and 2.0%, respectively.

The Oregon Short-Term Fund (OSTF) increased 1.3% for the quarter and 3.6% fiscal year-to-date, equal to its benchmark for the quarter and underperforming its benchmark by 40 basis points for the fiscal year. The Core Bond Fund (CBF) increased 0.3% for the quarter and 4.2% for the fiscal year, outperforming its benchmark by 50 basis points and 70 basis points, respectively. The PUF investment yield was 1.2% for the quarter and 3.5% fiscal year-to-date. The OSTF and CBF annualized investments yield as of March 31, 2024, were 5.2% and 5.1%, respectively.

The OSTF is benefiting from an inverted yield curve as short-dated maturities, such as 3-month Treasury Bills, provide higher coupons (5.25%) than longer dated maturities, such as 5 year Treasury Bonds (4.50%). The CBF's 17% allocation to structured credit, specifically mortgage-backed securities, supported the Fund's relative performance during the quarter. The price volatility for mortgage-backed securities was less than other fixed sectors during the quarter and yields are higher than U.S. government treasuries with similar durations.

Oregon Tech Quasi-Endowment Fund

The Oregon Tech Quasi-Endowment assets increased 0.4% for the quarter and 4.2% fiscal year-to-date. The Oregon Intermediate-Term Pool performance outperformed its benchmark by 60 basis points for the quarter. The Endowment assets were valued at $6.8 million, as of March 31, 2024.

Oregon Tech
Investment Summary
as of March 31, 2024
(Net of Fees)

	Quarter Ended 3/31/2024	Current Fiscal YTD	Prior Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation	Policy Allocation Target
OIT Operating Assets Invested in Public University Fund									
Oregon Short - Term Fund	1.3%	3.6%	1.9%	2.4%	2.2%	1.7%	$ 8,943,776	30.7%	1
Benchmark - 91 day T-Bill	1.3%	4.0%	2.4%	2.6%	2.0%	1.4%			
PUF Core Bond Fund	0.3%	4.2%	1.3%	-0.4%	1.8%	N/A	20,235,423	69.3%	1
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index[2]	-0.2%	3.5%	0.7%	-1.1%	1.0%	1.9%			
Public University Fund Total Return	0.6%	4.1%	1.4%	1.1%	2.0%	N/A	$ 29,179,199	100.0%	
Public University Fund Investment Yield[3]	1.2%	3.5%	2.4%	2.8%	2.8%	N/A			
OIT Endowment Assets									
Oregon Intermediate-Term Pool	0.4%	4.2%	1.2%	-0.4%	1.6%	N/A	$ 6,785,362	100.0%	
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index[4]	-0.2%	3.5%	0.7%	-1.1%	0.8%	1.4%			

[1] The Public University Fund (PUF) policy guidelines define investment allocation targets based upon total participant dollars committed.
Core balances in excess of liquidity requirements for the participants are available for investment in the Core Bond Fund.
Maximum core investment allocations are determined based upon anticipated average cash balances for all participants during the fiscal year.

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

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

[4] 100% Bloomberg Barclays Intermediate U.S. Gov't./Credit Index as of January 1, 2021. From June 1, 2015 to December 31, 2020 the benchmark was Bloomberg Barclays 3-5 Year U.S. Aggregate Index.

Note: Outlined returns underperfomed their benchmark.

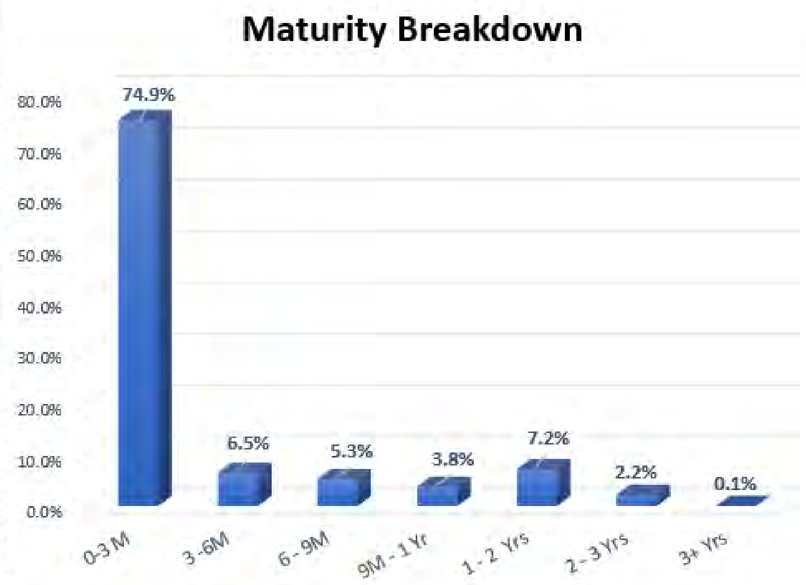
Oregon Short Term Fund March 31, 2024

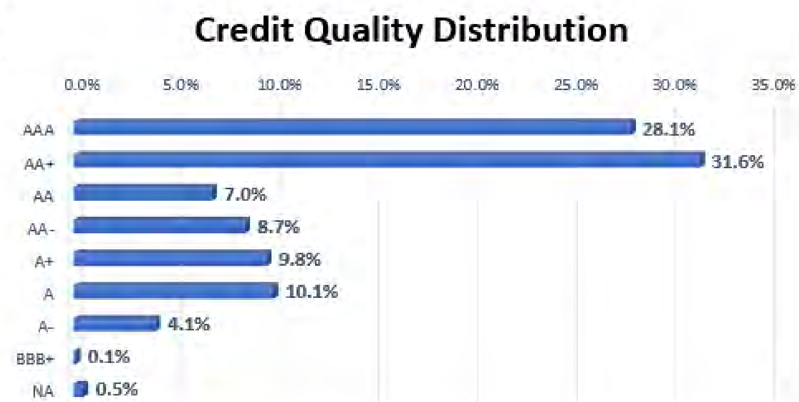
Portfolio Characteristics

Market Value 3/31/2024	$ 169,177,940
Weighted Average Credit Quality	AA
Book Yield (%)	5.21%
Weighted Average Maturity (days)	115 Days
Duration (years)	0.28
Spread Duration (years)	0.60

Top 10 Issuers

United States Treasury	29.4%
Royal Bank of Canada	2.3%
Canada Pension Plan Investment Board Capital Incorporated	2.2%
American Honda Finance Corporation	1.7%
Federal Home Loan Banks	1.6%
Toyota Motor Credit Corporation	1.5%
Capital One Multi-Asset Execution Trust	1.4%
CDP Financial Incorporated	1.4%
JPMorgan Chase & Company	1.3%
New York Life Global Funding	1.3%
Total	**44.1%**





Source: Oregon State Treasury

Core Bond Fund

March 31, 2024

Portfolio Characteristics

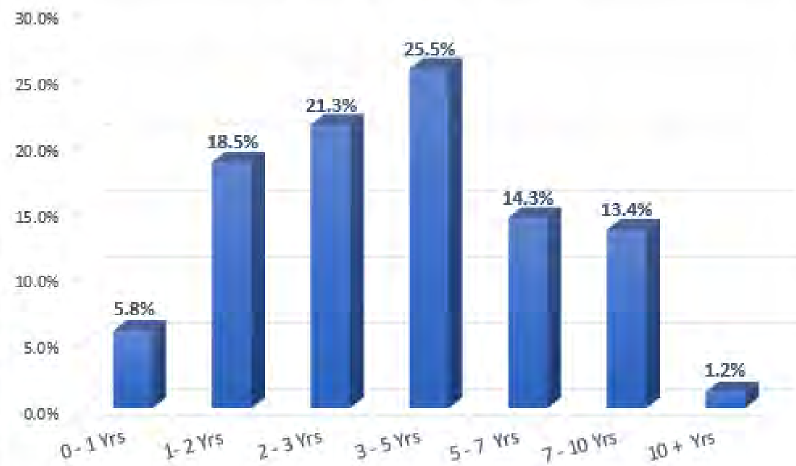
Market Value 3/31/2024	$ 382,767,560
Weighted Average Credit Quality	AA-
Book Yield (%)	4.98%
Weighted Average Maturity (years)	4.38
Duration (years)	3.61
Spread Duration (rate)	1.73

Top 10 Issuers

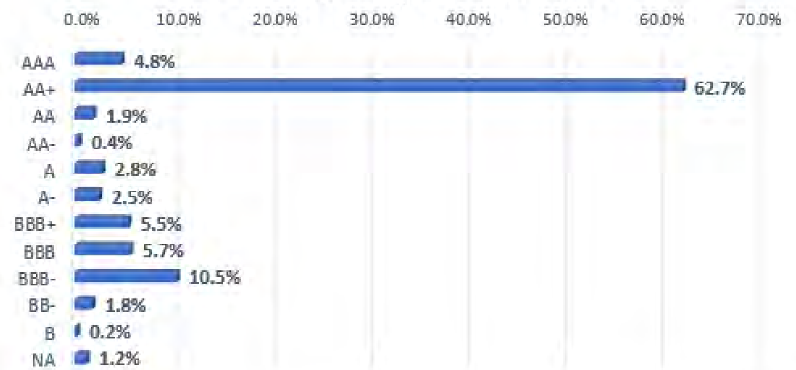
United States Treasury	54.0%
Federal Home Loan Mortgage Corporation	4.1%
Safehold Incorporated	2.7%
Charles Schwab Corporation	2.7%
Agree Realty Corporation	2.4%
Federal National Mortgage Association	2.4%
Rexford Industrial Realty Incorporated	2.3%
F&G Global Funding	2.1%
OCI N.V.	1.8%
Oscar US Funding Trust OSCAR_21-2A	1.7%
Total	**76.2%**

Sector Allocations

Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

FY2024 Q3 MARKET COMMENTARY

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

Report on Investments – as of March 31, 2024

Economic and Market Update

Resilient economic data drove global equities higher and pushed out the timing of the expected first Federal Reserve rate cut, weighing on bonds.

- Major central banks have largely paused interest rate hikes with expectations that many will still cut rates, but the uneven pace of falling inflation and economic growth could desynchronize the pace of rate cuts.
- In general, inflation pressures have eased in most countries from their pandemic peaks, but some uncertainty remains and levels are still above most central bank targets. Headline inflation in the U.S. rose in March (3.2% to 3.5%) by more than expected, while core inflation was unchanged (3.8%) when it was predicted to decline to 3.7%. Notably, prices in China were up only slightly in March, as the impacts of the recent holiday faded.
- U.S. equity markets (S&P 500 index) rose 10.6% in the first calendar quarter after a very strong fiscal year 2023 (+29.9%). The technology sector continued to perform well, with energy gaining on geopolitical tensions.
- Non-U.S. developed equity markets (Morgan Stanley Capital Indices (MSCI) Europe Australasia Far East (EAFE)) increased 5.8% in the quarter, helped by Japanese equities which hit multi-decade highs. A strengthening U.S. Dollar drove the weaker relative results for U.S. investors with returns in local currency terms 4.2% higher (10.0% versus 5.8%).
- Emerging market equities (MSCI Emerging Markets) (+2.4%) had the weakest equity returns, depressed by China (-2.2%). While policy efforts to support mainland stock prices helped to stabilize Chinese equities, recent efforts by the U.S. to discourage investments in China weighed on results. The stronger dollar also hurt performance in emerging markets for U.S. investors with returns in local currency terms 2.1% higher.
- Rising interest rates weighed on bonds with the broad U.S. bond market (Bloomberg U.S. Aggregate) declining 0.8% for the quarter.

Looking to the rest of this year, the paths of inflation and monetary policy, China's economic disorder and slowing economic growth, the many looming elections, and the wars in Ukraine and Israel will be key.

In the first calendar quarter, global equity markets continued their strong performance from calendar year 2023 with the U.S. leading the way.

Resilient economic data weighed on bond markets domestically and dashed hopes of a near-term cut in interest rates.

Market Returns[1]
March 31, 2024

	Month	Quarter	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
S&P 500	3.20%	10.60%	10.60%	29.90%	11.50%	15.00%	14.10%	13.00%
MSCI EAFE-ND	3.30%	5.80%	5.80%	15.30%	4.80%	7.30%	6.70%	4.80%
MSCI EM-ND	2.50%	2.40%	2.40%	8.20%	-5.10%	2.20%	3.70%	2.90%
MSCI China-ND	0.90%	-2.20%	-2.20%	-17.10%	-18.90%	-6.30%	-0.90%	1.20%
Bloomberg US Aggregate	0.90%	-0.80%	-0.80%	1.70%	-2.50%	0.40%	1.10%	1.50%
Bloomberg US TIPS	0.80%	-0.10%	-0.10%	0.50%	-0.50%	2.50%	2.30%	2.20%
Bloomberg US Corporate High Yield	1.20%	1.50%	1.50%	11.20%	2.20%	4.20%	4.40%	4.40%
ICE BofAML US 3-Month Treasury Bill	0.40%	1.30%	1.30%	5.20%	2.60%	2.00%	1.90%	1.40%
ICE BofAML 1-3 Year US Treasury	0.30%	0.30%	0.30%	3.00%	0.10%	1.20%	1.20%	1.10%
ICE BofAML 10+ Year US Treasury	1.10%	-2.90%	-2.90%	-5.80%	-7.60%	-2.60%	-0.50%	1.30%

[1]Source: Oregon State Treasury

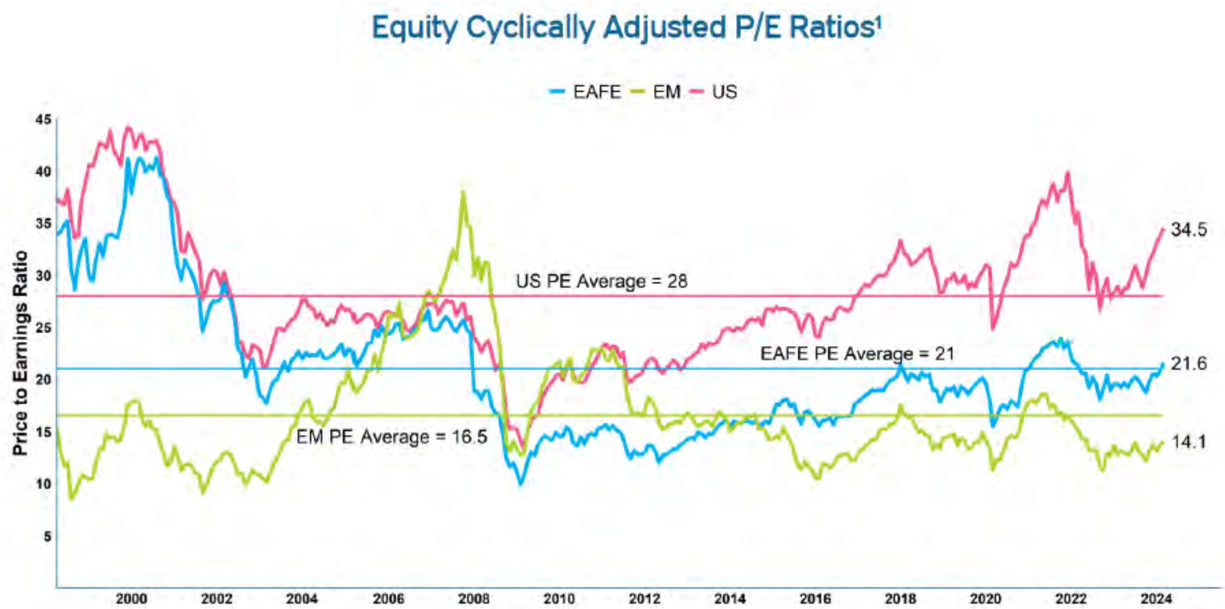
U.S. Equities: U.S. equities continued their ascent after a strong finish to calendar year 2023. The gains were driven by strong economic data and corporate earnings, despite signs of interest rates remaining higher for longer. Growth stocks outperformed value stocks across the market cap spectrum. Technology stocks continued to be a key driver of results, with NVIDIA and Microsoft alone contributing nearly 30% of the quarter's gains. Large cap stocks produced almost double the return of their small cap peers during the first quarter of the calendar year. The underperformance of small cap financials contributed to this dynamic as fear of further turmoil for regional banks resurfaced.

All sectors posted positive returns in the first calendar quarter. The technology sector (13.1%) continued to lead the way due to the influence of the so-called "Magnificent Seven." Technology was followed by energy (11.6%) and financials (11.1%), driven by increased geopolitical tensions and the strong economic environment. Traditionally defensive sectors like consumer staples (5.4%) and utilities (5.2%) joined the rally but trailed other sectors.

Foreign Equity: Developed international equity markets matched the U.S. for the quarter in local terms but the appreciation of the dollar decreased returns for U.S. investors by over 4.0% (5.8% versus 10.0%). Eurozone and U.K. equities had gains for the quarter, but Japan was the real standout performer, with the TOPIX returning 18.1% in local terms and the Nikkei breaking the 40,000 level for the first time.

Emerging market equities again trailed developed markets largely due to China falling 2.2%. Slowing growth, issues in the property sector, and recent efforts by the U.S. to discourage investments into China all weighed on results. Outside of China, interest rate sensitive markets like Brazil were particularly impacted by expectations of delayed interest rate cuts by the Federal Reserve (Fed). Excluding China, emerging markets returned 4.0% in the quarter.

At the end of the first calendar quarter, the U.S. equity price-to-earnings ratio increased further above its 21st century average, as price appreciation exceeded earnings growth. International market valuations also rose in the quarter and remain well below the U.S. In the case of developed markets, valuations are now slightly above the long-term average, while emerging market valuations remain well below its long-term average.



[1] Source: Bloomberg. U.S. Equity Cyclically Adjusted P/E on S&P 500 Index Source: Robert Shiller, Yale University, and Meketa Investment Group.

Fixed Income: Strong economic growth and inflation readings above forecasts shifted interest rate expectations pushing back the anticipated start date of rate cuts as well as the number of cuts for 2024. In this environment the broad U.S. bond market (Bloomberg Aggregate) fell 0.8% with Treasury Inflation-Protected Securities (TIPS) declining only slightly (0.1%). High yield bonds (1.5%) led the way for the quarter as risk appetite continues to be robust and overall yields remain attractive despite the recent tightening of spreads to Treasury equivalents.

[1] Source: Bloomberg. Data is as of March 31, 2024.

Overall interest rates moved higher over the quarter due to the strong economic data and the related shifts in monetary policy expectations. The more policy sensitive two-year Treasury yield rose from 4.3% to 4.6% in the first calendar quarter while the ten-year Treasury yield increased from 3.9% to 4.2%. The yield curve remained inverted at quarter-end despite a recent flattening trend. The yield spread between the two-year and ten-year Treasury was -0.4% at the end of the quarter.

Year-over-year headline inflation rose in March (3.2% to 3.5%) and came in slightly above expectations. Prices in service sectors, particularly shelter, remain a key driver of inflation, staying above the Fed’s 2% average target, with a recent rise in energy prices contributing too. Month-over-month inflation rose 0.4%, which was the same as February, but above expectations of a 0.3% reading. Core inflation (excluding food and energy) remained at 3.8% but also came in above expectations. Core goods prices dropped, while core services including shelter and transportation prices continued to show persistence. Inflation expectations (break-evens) have remained relatively stable despite the significant volatility in inflation.

Overall, the U.S. labor market remains healthy, with the unemployment rate low, wage growth now positive in real terms, and initial claims for unemployment staying subdued. Each of the payroll readings over the quarter exceeded expectations. In March, the number of jobs added in the U.S. was 303,000 compared to a 214,000 forecast. The healthcare (72,000), government (71,000), and construction (39,000) sectors added the most jobs. The unemployment rate fell from 3.9% to 3.8%, while wage growth dropped slightly from 4.3% to 4.1% compared to a year prior, a level well off the 6.0% peak but above inflation levels. Quit rates have declined, and layoffs are stable, with 1.4 available workers per job opening in March.

The Fed has been on hold since July 2023 when it raised rates to a range of 5.25%-5.50%. Markets are now pricing in fewer than two rate cuts this year down from close to seven late last year, as economic data has come in better than expectations and inflation persists. Market pricing for the first-rate cut has also dramatically changed from an original expectation of a March cut to the probability priced below 50% for a rate cut at all remaining Fed meetings in 2024.

The dollar increased by close to 3% over the quarter versus a basket of major trading partners. Strong economic data in the U.S. may delay policy rate cuts this year, which could contribute to continued upward pressure on the dollar as other countries pivot to rate cuts.

Summary-Key Trends:

- According to the International Monetary Fund (IMF), global growth this year is expected to match the 2023 estimate at around 3.1% with most major economies predicted to avoid a recession. Continued strong economic growth does run the risk of inflation and interest rates staying higher for longer.

- Key economic data in the U.S. is still coming in above forecasts with expectations dramatically evolving for the timing and pace of interest rate cuts. If data remains strong the Federal Reserve may keep rates elevated increasing the risk of an economic slowdown.
- Outside the U.S. we could see other central banks start cutting rates ahead of the Fed, with the European Central Bank (ECB), particularly in focus. The risk of policy errors remains elevated as central banks try to further reduce inflation toward targets while not tipping their economies into recession.
- U.S. consumers could feel pressure as certain components of inflation (e.g., shelter)

remain high, borrowing costs are elevated, and the job market may weaken.

- 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.
- Equity valuations remain lower in emerging and developed markets, but risks remain, including China's economic uncertainty and on-going weakness in the real estate sector which could spill over into key trading partners' economies. Japan's recent tightening of monetary policy along with changes in corporate governance in the country could influence relative results.

FF&A Committee Item 3.5

Fiscal Year 2022-23 Financial Statement Ratios

<u>Background</u>

The financial health of the Oregon Tech (the University) can be evaluated using industry benchmarks and ratios. *Strategic Financial Analysis for Higher Education, Seventh Edition* published by KPMG; Prager, Sealy & Co., LLC; and Attain LLC defines certain ratios and related benchmarks that are widely used in the higher education industry and includes guidance for both private and public institutions.

The publication defines four core ratios that assist with answering fundamental financial questions to be addressed and analyzed on an annual basis:

1. Primary Reserve Ratio: Are resources sufficient and flexible enough to support the mission?
2. Return on Net Position Ratio: Do asset performance and management support the strategic direction?
3. Viability Ratio: Are financial resources, including debt, managed strategically to advance the mission?
4. Net Operation Revenues Ratio: Do operating results indicate the institution is living within available resources?

When combined, these four ratios compute a single measure of Oregon Tech's overall financial health, defined as the Composite Financial Index (CFI).

> The CFI only measures the financial component of an institution's well-being. It must be analyzed in context with other associated activities and plans to achieve an assessment of the overall health, not just financial health, of the institution. As an example, if two institutions have identical CFI scores, but one requires substantial investments to meet its mission-critical issues and the other has already made those investments, the first institution is less healthy than the second. In fact, a high CFI is not necessarily indicative of a successful institution, although a low CFI generally is indicative of additional challenges. When put in the context of achievement of mission, a very high CFI with little achievement of mission may indicate a failing institution.
>
> *Strategic Financial Analysis for Higher Education*

The Debt Burden Ratio is also calculated annually by the University. Although not a core strategic financial ratio, the Debt Burden Ratio is a key tool in measuring debt affordability and should be considered a key financial indicator for any institution using debt.

In addition to the Viability Ratio, Primary Reserve Ratio, and Debt Burden Ratio, the Board Policy on Debt Management also requires annual calculation of the Debt Service Coverage Ratio and Debt to Revenues Ratio to assist the Board in evaluating debt capacity and affordability.

Reporting Entity

Data for the Oregon Tech Foundation (the Foundation) has been included in the calculation of the University's ratios, as defined by *Strategic Financial Analysis for Higher Education, Seventh Edition.* Oregon Tech's Annual Financial Report (AFR), which presents certain financial information of the Foundation as a discretely presented component unit, is utilized for providing data on the Reporting Entity. The Foundation issues its own separate, complete financial statements.

Staff Recommendation

None.

Primary Reserve Ratio

The Primary Reserve Ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable net position (both unrestricted and restricted, excluding net position restricted for capital investments) without relying on additional net position generated by operations. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position *}}{\text{Total Expenses}}$$

* Excluding net position restricted for capital investments

Key items that can impact expendable net position:

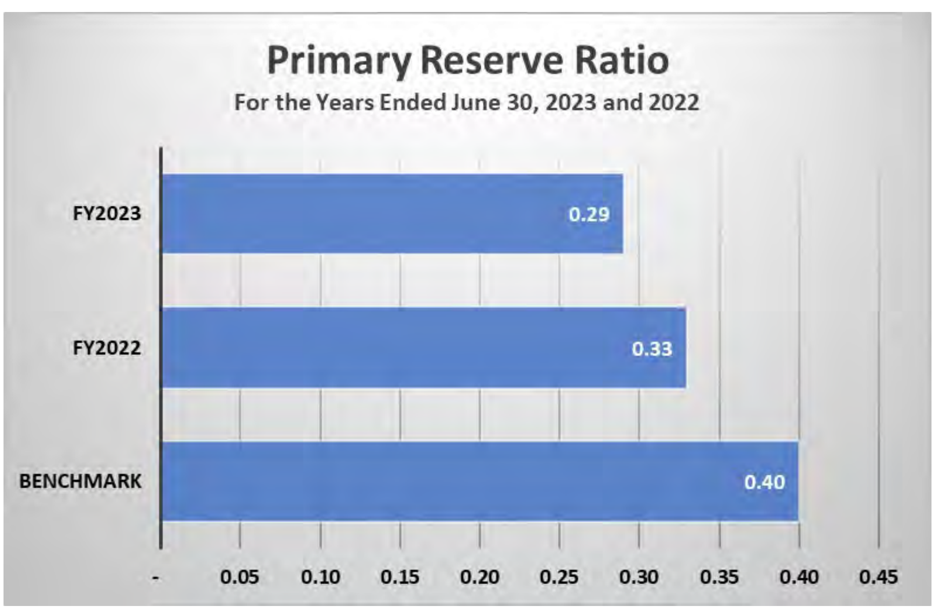
- Principal payments on debt
- Use of unrestricted net position to fund capital construction projects
- Operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)

The Primary Reserve Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

A ratio of .40x (provides about 5 months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

Fiscal Year 2023 Analysis:

At 0.29, Oregon Tech's FY2023 Primary Reserve Ratio decreased slightly from the prior year and provides for just under four months of expenses. The decrease in FY2023 from FY2022 is a result of an increase in the University's expendable net position, partially offset by increases in total operating and interest expenses.



Net Operating Revenues Ratio

The Net Operating Revenues Ratio is a measure of operating results and answers the question, "Do operating results indicate that the University is living within available resources?" Operating results either increase or decrease net position and, thereby, impact the other three core ratios: Primary Reserve, Return on Net Position, and Viability. This ratio is calculated as follows:

$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

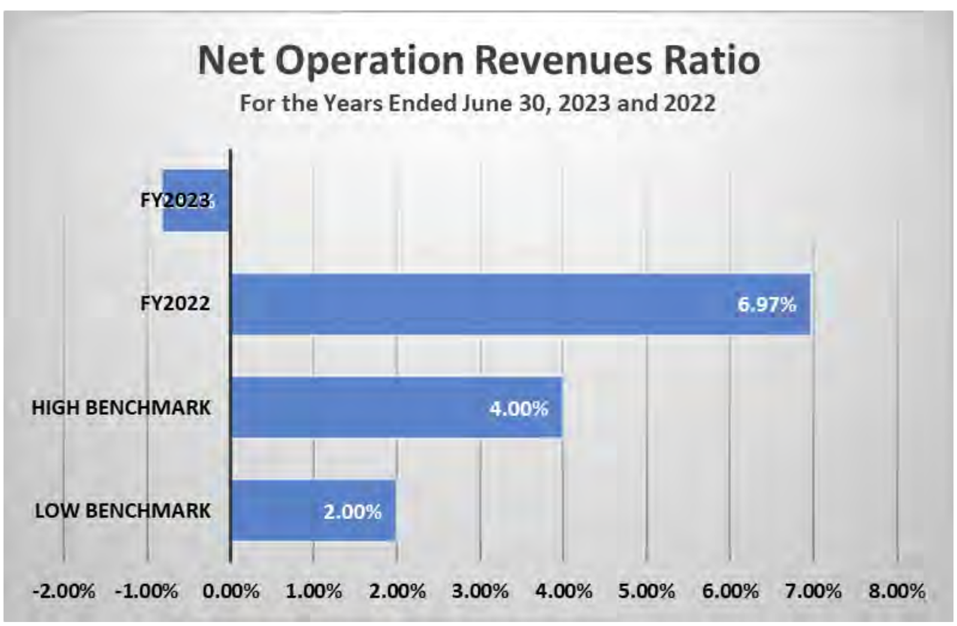
Key items represented by the Net Operating Revenues Ratio:

> The primary reason institutions need to generate some level of surplus over long periods of time is because operations are one of the sources of liquidity and resources for reinvestment in institutional initiatives.
>
> *Strategic Financial Analysis for Higher Education*

A target of at least 2% to 4% is a goal over an extended time period, although fluctuations from year to year are likely. A key consideration for institutions establishing a benchmark for this ratio would be the anticipated growth in total expenses.

Fiscal Year 2023 Analysis:

Decrease in ratio for FY2023 from FY2022 due to FY2023 increase in University net operating loss while also experiencing a decrease in net nonoperating revenues in FY2023 as compared to FY2022 (due to FY2022 HEERF grant revenue recognition where those grant proceeds will be expended in future years).



<u>Return on Net Position Ratio</u>

The Return on Net Position Ratio measures asset performance and management. It determines whether an institution is financially better off than in the previous year by measuring total economic return. It is based on the level and change in total net position.

A decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. An improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility. This ratio is calculated as follows:

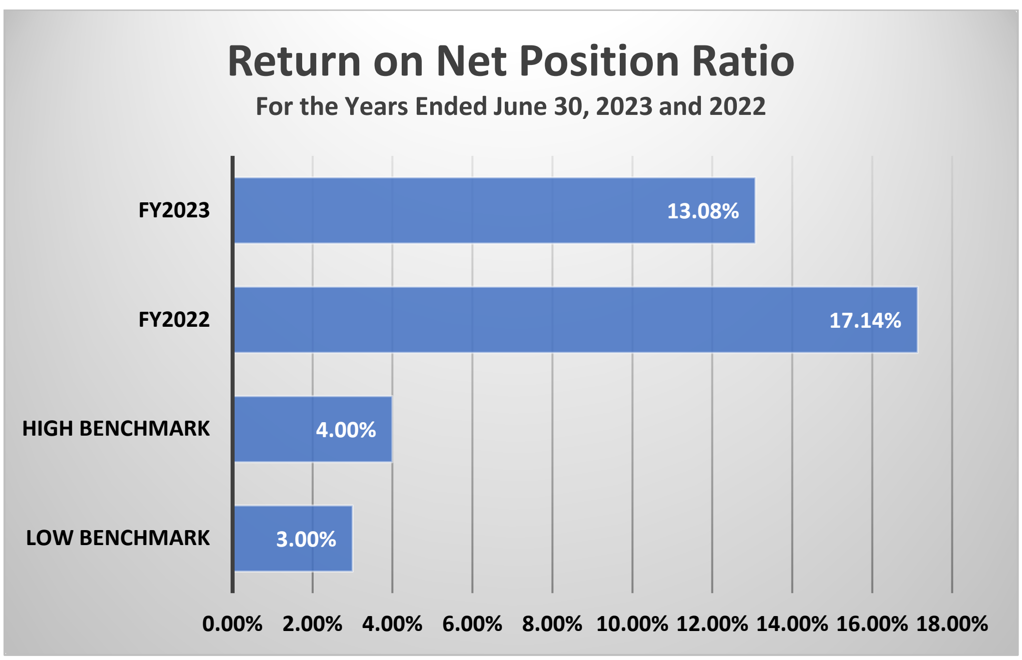
$$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$$

Key items that can impact expendable net position:

- Items that impact the Net Operating Revenues Ratio
- Capital appropriations, grants, gifts, and transfers
- Endowment returns and endowment gifts

Fiscal Year 2023 Analysis:

Decrease in ratio in FY2023 from FY2022 due to FY2023 increase in the University's expendable net position less than the FY2022 increase in the University's expendable net position.



Viability Ratio

The Viability Ratio measures expendable resources that are available to cover debt obligations (e.g., capital leases, notes payable, and bonds payable) and generally is regarded as governing an institution's ability to assume new debt. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position *}}{\text{Long-Term Debt}}$$

* Excluding net position restricted for capital investments

Key items that can impact expendable net position:

- Principal payments on debt
- Use of unrestricted net position to fund capital construction projects
- Operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)

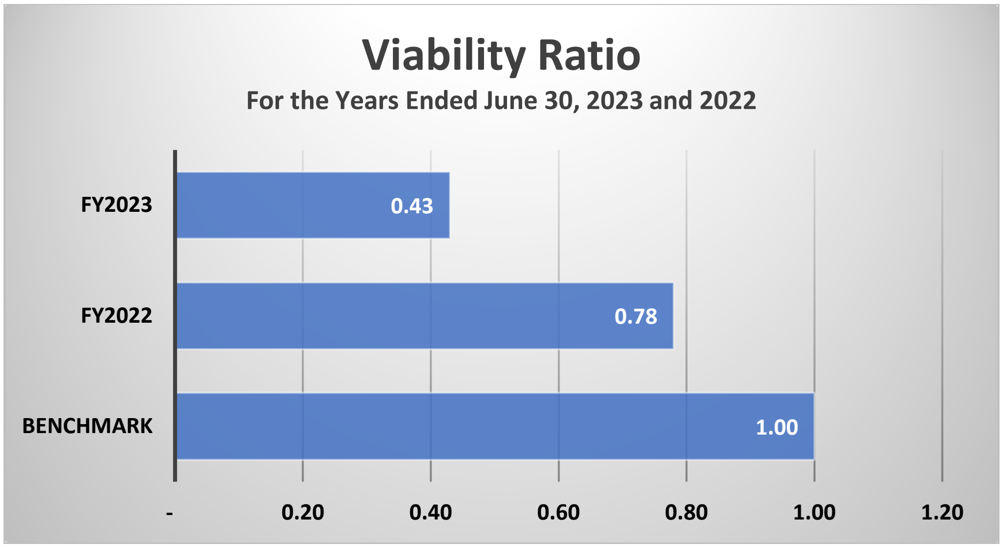
> There is no absolute threshold that will indicate whether the institution is no longer financially viable. However, the Viability Ratio, along with the Primary Reserve Ratio discussed earlier, can help define an institution's "margin for error". As the Viability Ratio's value falls below 1:1, an institution's ability to respond…, to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives.
>
> Many public institutions can operate effectively at a ratio far less than 1:1 since the debt may be reported by a state agency and not the institution, or the institution enjoys the credit rating of the state for its borrowing purposes.
>
> *Strategic Financial Analysis for Higher Education*

The Viability Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

A ratio of 1.00 or greater indicates that there are sufficient resources to satisfy debt obligations.

Fiscal Year 2023 Analysis:

Oregon Tech's FY2023 Viability Ratio decreased slightly from the prior year to 0.43. The change is due to long-term debt additions in FY2023 related to the new student housing residence construction bond and implementation of GASB 96 *Subscription-Based Information Technology Arrangements* (SBITAs). Although the University experienced an increase in its expendable net position for FY2023 as a result of positive net income for the year, the FY2023 increases in long-term debt were greater than the increase in expendable net position.



Composite Financial Index

The Composite Financial Index (CFI) creates one overall financial measurement of the institution's health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into a single number, a more balanced view of the state of the institution's finances is possible because a weakness in one measure may be offset by the strength of another measure.

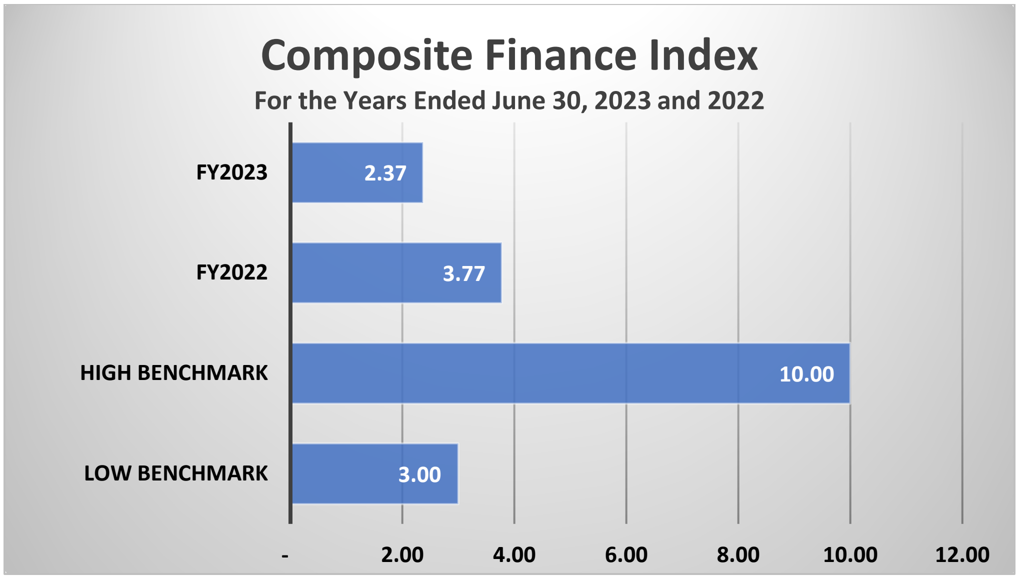
The CFI is calculated by completing the following steps:

1. Compute the values of the four core ratios;
2. Convert the ratio values to strength factors along a common scale;
3. Multiply the strength factors by specific weighting factors; and
4. Total the resulting four numbers (ratio scores) to reach the single CFI score.

A score of 1.0 indicates very little financial health, 3, the low benchmark, represents a relatively stronger financial positions; and 10 is the top of the scale.

Fiscal Year 2023 Analysis:

Oregon Tech's FY2023 CFI score of 2.37, a slight decrease from the prior year, continues to indicate positive return on net position and net operating revenue ratios.



Debt Burden Ratio

The Debt Burden Ratio examines the institution's dependence on borrowed funds as a source of financing its mission and the relative costs of borrowing to overall expenditures. It compares the level of current debt service with the institution's total expenditures. Debt service includes interest and principal payments. The ratio is calculated as follows:

$$\frac{\text{Debt Service}}{\text{Total Expenditures}}$$

Ratio considerations include:

- A level trend or decreasing trend indicates that debt service has sufficient coverage without impinging further on financial resources required to support other function areas.
- A low debt service burden is not necessarily superior to a higher debt service burden. For most financially healthy institutions, it is advisable to allocate a certain percentage of the operating budget to debt service. Institutions with very low ratios may be forgoing necessary investment in facilities, which, over time, may have a negative impact on their competitive profiles.

The Debt Burden Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

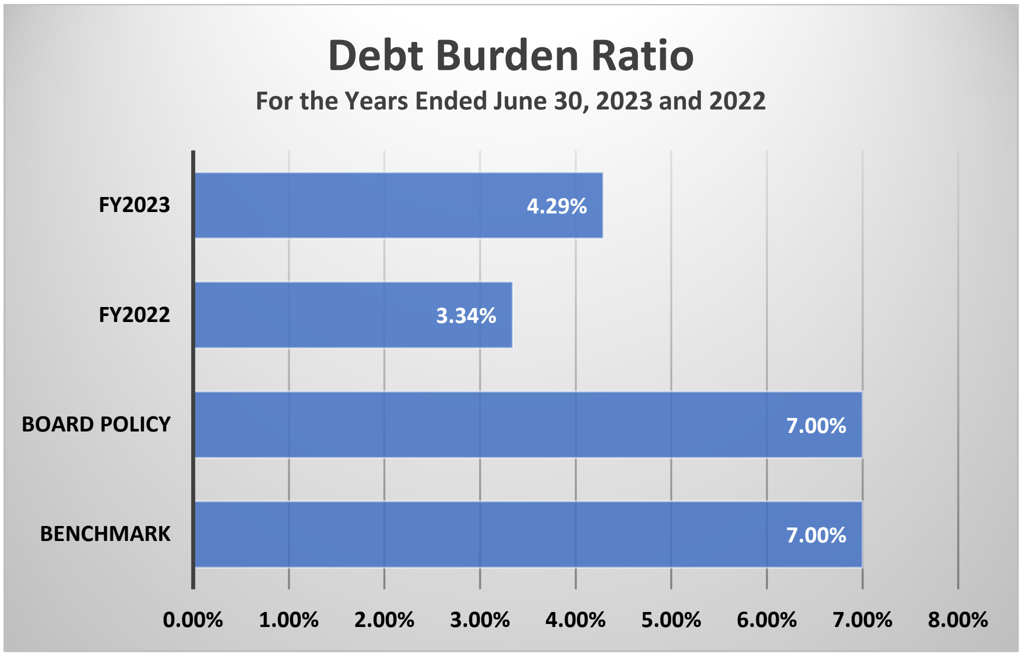
The industry often has viewed the upper threshold for this ratio at 7 percent, meaning that current principal payments and interest expense should not represent more than 7 percent of total expenditures.

Fiscal Year 2023 Analysis:

Oregon Tech's debt burden ratio increased in FY2023 from FY2022, as anticipated, due to additional long-term debt in FY2023 for the new student housing residence construction bond and implementation of GASB 96

SBITAs. Similar construction bonds and SBITA obligations did not exist in FY2022 as the new bond was issued in May 2023 ($30.9M face value [$35.0M proceeds upon issuance)] with the University also implementing the respective GASB during the year ($1.2M).

Oregon Tech remains within the ratio's threshold established by the Board Policy on Debt Management.



<u>**Debt Service Coverage Ratio**</u>

This ratio measures the excess of income over adjusted expenses available to cover annual debt service payments. The Debt Service Coverage Ratio is an important ratio because it gives the analyst a level of comfort that the institution has a net revenue stream available to meet its debt burden should economic conditions change.

$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses) plus Interest Expense plus Depreciation plus Foundation Adjusted Change in Net Assets}}{\text{Debt Service}}$$

Ratio considerations include:

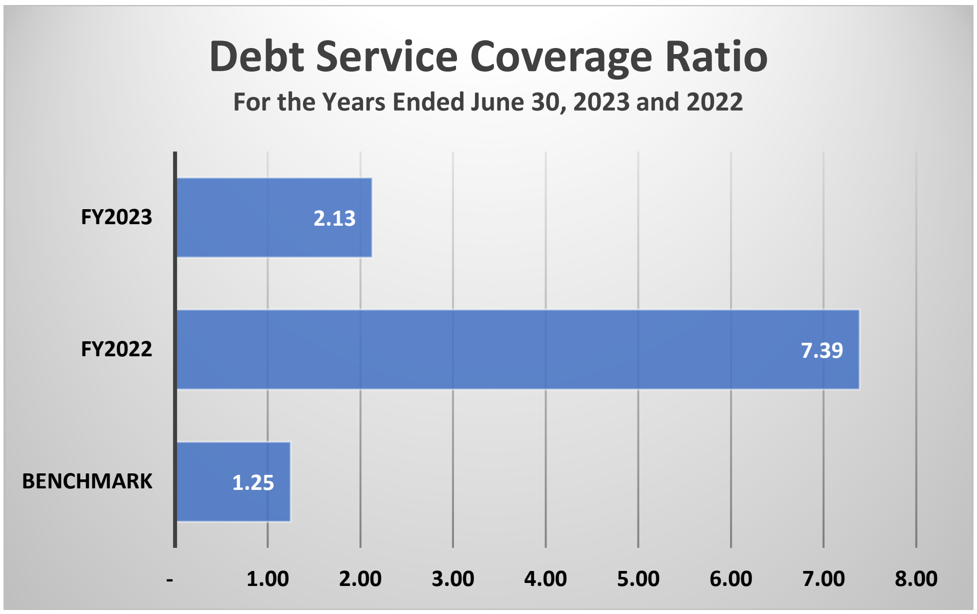
- A high ratio is considered advantageous,
- A low ratio or declining trend gives reason for concern regarding the institution's ability to sustain its operations, especially in the face of future budgetary challenges.

The Debt Service Coverage Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

While the industry does not set a recommended upper or lower threshold, a ratio of 1.25 can be viewed as a general guideline.

Fiscal Year 2023 Analysis:

The decrease in the Debt Service Coverage Ratio in FY2023 from FY2022 was anticipated due to the nature of FY2022 revenues. The University recognized Higher Education Emergency Relief Funding (HEERF) grant revenue in FY2022, in accordance with the grant agreement. It was anticipated at that time that some related expenses would be incurred in future years. The University spent some previous HEERF grant proceeds in FY2023 with additional spending also anticipated in future years. As a result, corresponding decreases in the Debt Service Coverage Ratio are anticipated as the related monies are expended.



Debt to Operating Revenues Ratio

The Debt to Operating Revenues Ratio measures the amount of leverage relative to the size of the institution's operating revenues. A lower ratio is considered better. The ratio is calculated as follows:

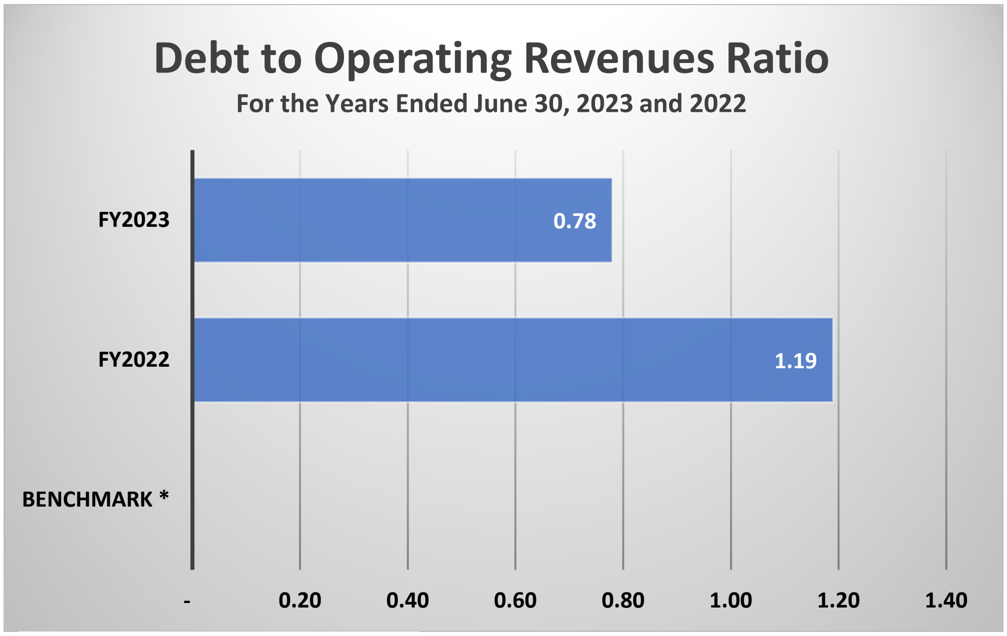
$$\frac{\text{Outstanding Debt}}{\text{Total Operating Revenue}}$$

The Debt to Operating Revenues Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

An advised range is not set by the industry with no general guidelines established.

Fiscal Year 2023 Analysis:

Oregon Tech's FY2023 Debt to Operating Revenues Ratio decreased from the prior year due to increases in both University operating revenues and Foundation revenues. These increases were partially offset by increases in University long-term debt related to the May 2023 bond issuance for the new student residence facility as well as implementation of GASB 96 SBITAs during FY2023.



** A Benchmark, or advised range not set*

BOARD OF TRUSTEES / 6.11.2024

Oregon Tech's - Capital Projects Update

Thom Darrah | Director of Facilities & Capital Planning

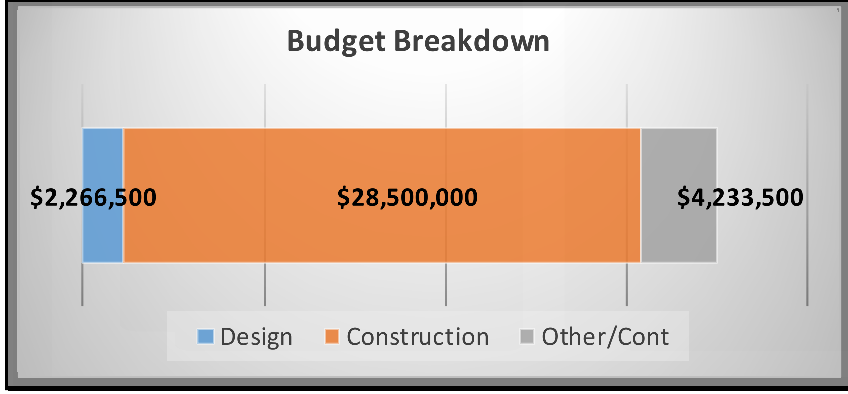
Presentation Outline

Capital Projects – Upcoming and Underway

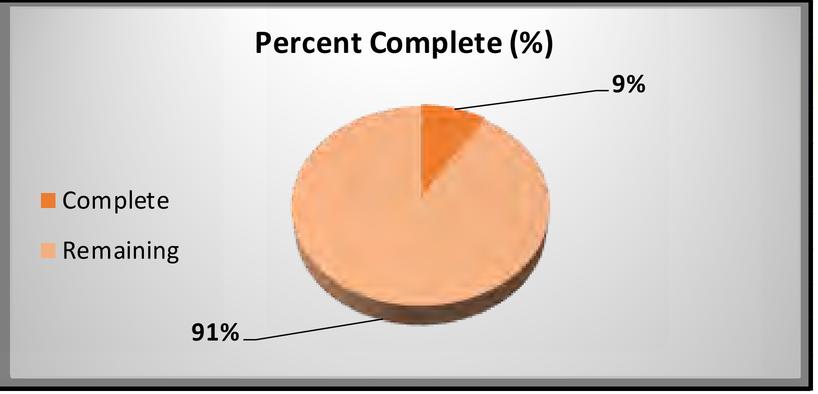
- New Student Housing
- Geothermal Systems Emergency Renovation
- Boivin Hall Traffic Improvements
- ABA Clinic Renovation

New Student Housing

New Student Housing (85,000 sq ft)							
Project Start: 4.01.2023			Project Completion: 8.30.2025				
Project	**Progress Highlights**	**Cost Breakdown**	**Orig. Budget**	**Rev. Budget**	**Cost To Date**	**%**	**Balance**
UPE822 / FNRESH	Visioning: January 2023 - February 2023						
Bond Type: XI-F 2022	Design: March 2023 - April 2024						
	Construction: May 2024 - August 2025	Visioning/Design (6%):	$ 2,231,400	$ 2,266,500	$ 1,156,915	51%	$ 1,109,585
	Project underway.	Construction (82%):	$ 28,000,000	$ 28,500,000	$ 1,900,498	7%	$ 26,599,502
Design: Mahlum Architects		Other (12%):	$ 4,768,600	$ 4,233,500	$ 48,646	1%	$ 4,184,854
CM/GC: Bogatay Const.	Plan Design Bid **Build** Closeout	Project Totals:	$ 35,000,000	$ 35,000,000	$ 3,106,059	9%	$ 31,893,941



CO's / Amendments	
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
	$ -
Total:	$ -

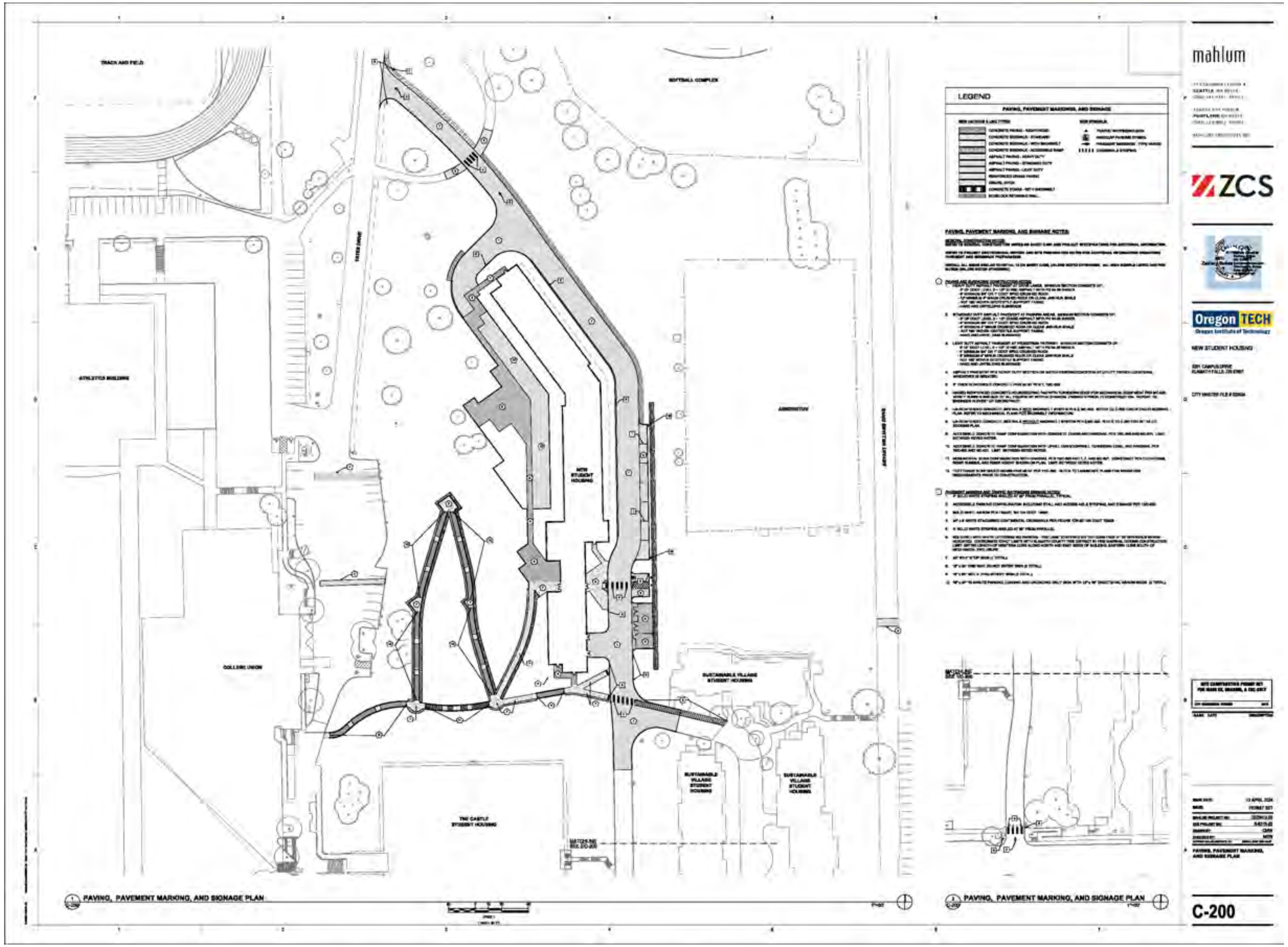


New Student Housing

Extended Project Insights

- Early Work: 4.08.24 through 6.07.2024
- Project Construction: 6.10.2024 through 11.01.2025
- Project Closeout: 11.02.2025 through 12.01.2025
- Project GMP of $28,500,000 approved on 5.23.2024
- 55,000 yds of excavated material removed from site (4,580 - 12 yd dump trucks)
- 89% of work by firms within 100-mile radius of project. (57% Klamath Falls / 32% Southern Oregon)
- Project Camera: https://app.truelook.cloud/?code=cnpi13lm080mqpqm2fupahbuj

New Student Housing



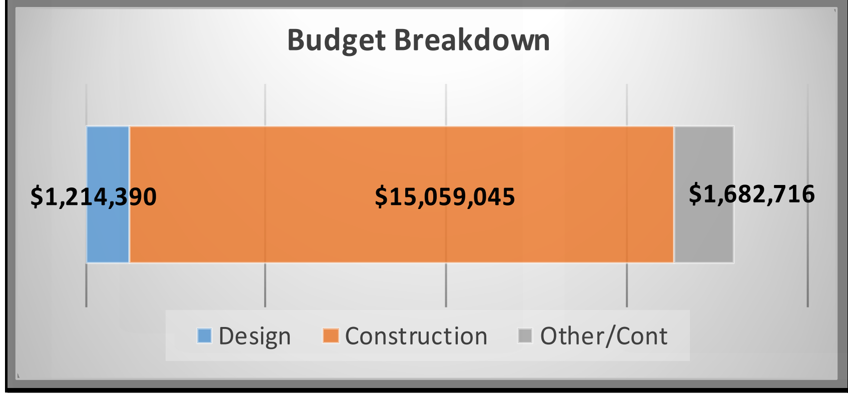
New Student Housing

New Student Housing

New Student Housing

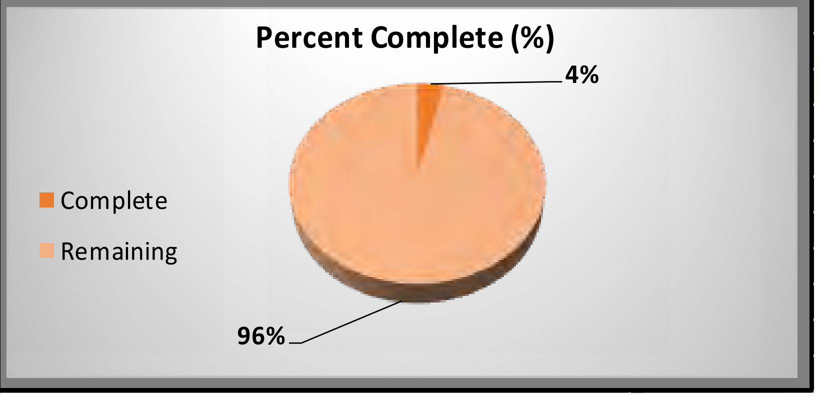
Geothermal Systems Emergency Renovation

Geothermal Systems Emergency Renovation							
Project Start: 11.06.23		Project Completion: 11.14.2026					
Project	**Progress Highlights**	**Cost Breakdown**	**Orig. Budget**	**Rev. Budget**	**Cost To Date**	**%**	**Balance**
UPE: TBD	Design: Underway						
	Construction: Pending						
		Design (7%):	$ 1,295,615	$ 1,214,390	$ 287,759	24%	$ 926,631
	Project underway.	Construction (80%):	$ 14,467,116	$ 15,059,045	$ 377,650	3%	$ 14,681,395
Design: AES		Other (13%):	$ 2,193,420	$ 1,682,716	$ -	0%	$ 1,682,716
CM/GC: TBD	Plan / Design / **Bid** / Build / Closeout	Project Totals:	$ 17,956,151	$ 17,956,151	$ 665,409	4%	$ 17,290,742



CO's / Amendments

	$ -
Total:	$ -

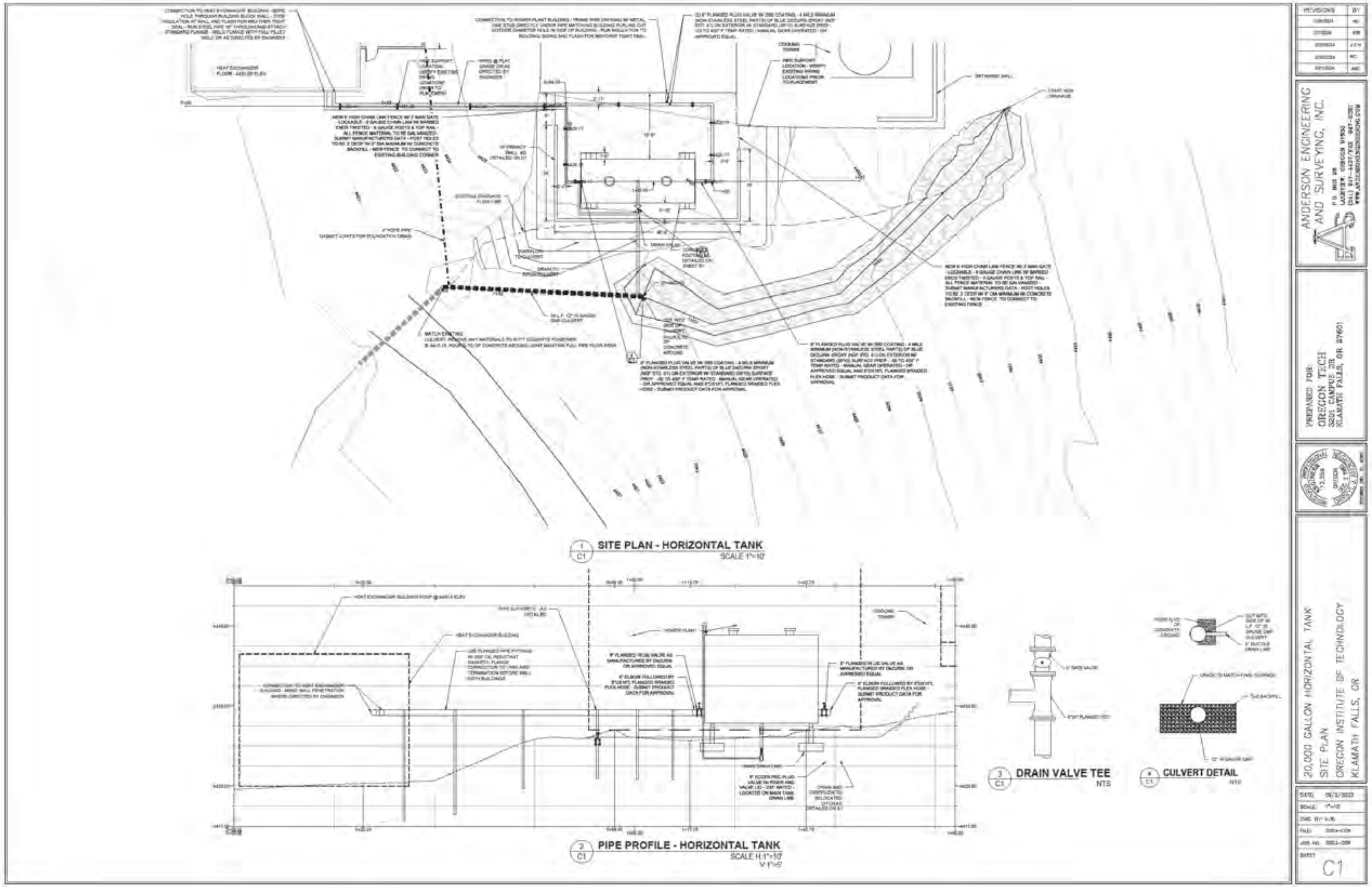


Geothermal Systems Emergency Renovation

Extended Project Insights

- Project is made up of five phases.
- Phase 1 - Geo HX Building Renovation
  - Construction for new geo storage tank underway.
  - HX building design complete.
  - Permitting underway.
  - Bidding underway.
- Phase 2 - Geo Distribution Piping
  - Design underway.
  - Early procurement of direct bury piping underway.

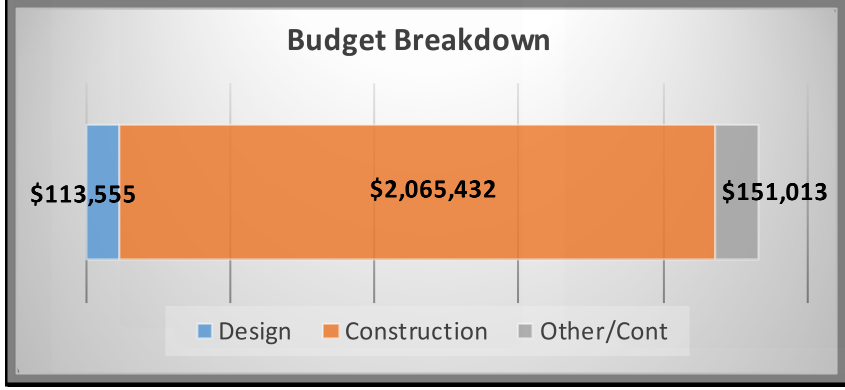
Geothermal Systems Emergency Renovation



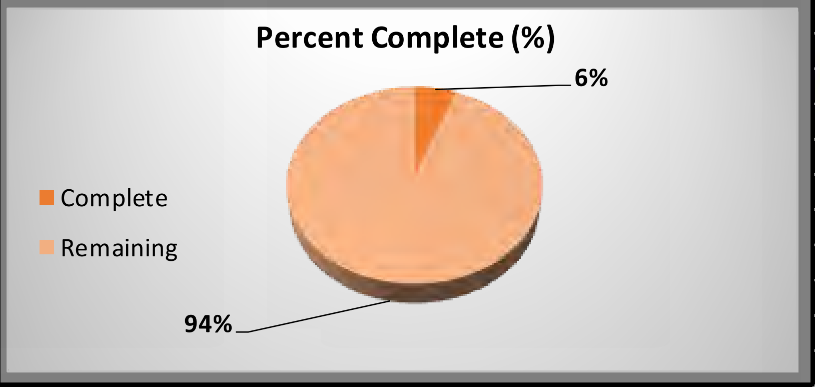
Geothermal Systems Emergency Renovation

Boivin Hall Traffic Improvements

Boivin Hall Traffic Improvements							
Project Start: 5.01.24		Project Completion: 8.31.24					
Project	**Progress Highlights**	**Cost Breakdown**	**Orig. Budget**	**Rev. Budget**	**Cost To Date**	**%**	**Balance**
UPE	Design: Underway						
UPE803	Construction: May 2024 - Aug. 2024						
UPE805		Design (5%):	$ 60,000	$ 113,555	$ 101,791	90%	$ 11,764
	Project underway.	Construction (90%):	$ 1,714,600	$ 2,065,432	$ -	0%	$ 2,065,432
Design: ZCS		Other (5%):	$ 225,400	$ 151,013	$ 31,435	21%	$ 119,578
Build: BCI	Plan / Design / Bid / **Build** / Closeout	Project Totals:	$ 2,000,000	$ 2,330,000	$ 133,226	6%	$ 2,196,774



CO's / Amendments	
ZCS: Amd. 1	$ 25,400
ZCS: Amd. 2	$ 28,155
	$ -
Total:	$ 53,555



Bovin Hall Traffic Improvements

Extended Project Insights

- Project Construction: NTP June 17, 2024
- Project Completion: August 30, 2024
- Access to Industrial Park Drive and Lot E will be restricted for the duration of the project.

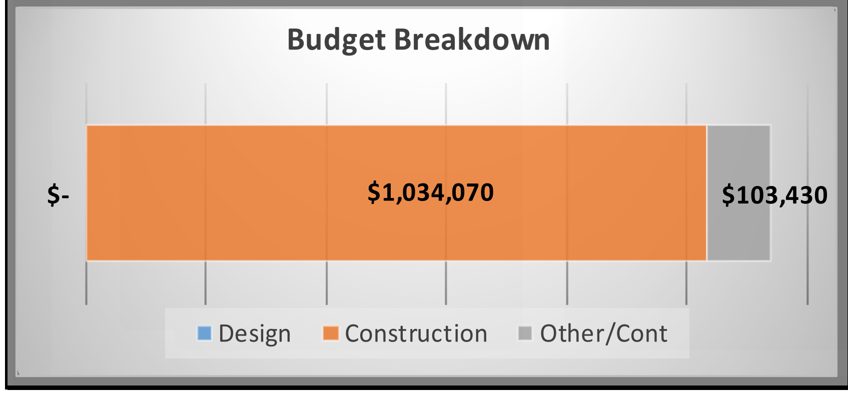
Bovin Hall Traffic Improvements

Bovin Hall Traffic Improvements

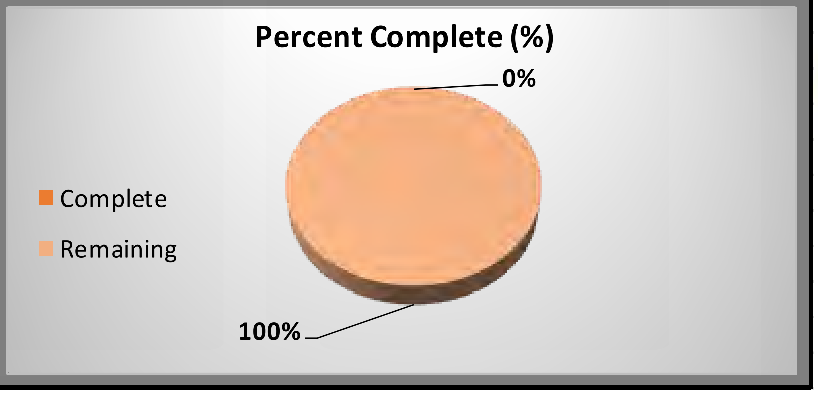
Bovin Hall Traffic Improvements

ABA Clinic Renovation

ABA Clinic Renovation (5,000 sq ft)							
Project Start: 10.02.23		Project Completion: 11.29.24					
Project	**Progress Highlights**	**Cost Breakdown**	**Orig. Budget**	**Rev. Budget**	**Cost To Date**	**%**	**Balance**
UPE824	Design: Underway						
	Construction: Pending						
		Design (0%):	$ -	$ -	$ -		$ -
	Project underway.	Construction (90%):	$ 450,000	$ 1,034,070	$ -	0%	$ 1,034,070
Design: SDRA		Other (10%):	$ 50,000	$ 103,430	$ 82	0%	$ 103,348
Build: Modoc	Plan / **Design** / Bid / **Build** / Closeout	Project Totals:	$ 500,000	$ 1,137,500	$ 82	0%	$ 1,137,418



CO's / Amendments	
	$ -
Total:	$ -

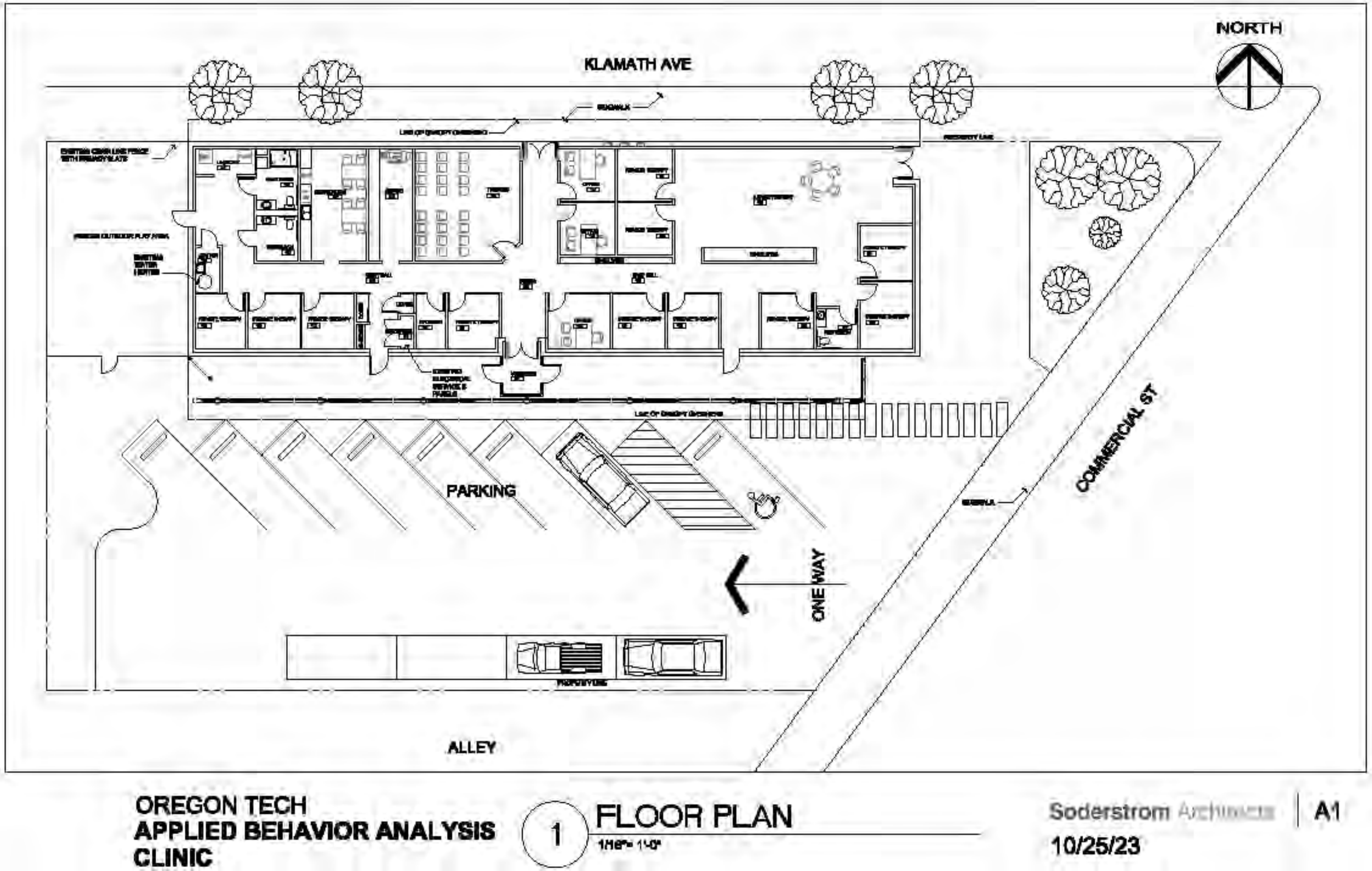


ABA Clinic Renovation

Extended Project Insights

- Project Construction – Anticipated Start: June 2024
- Project Completion: December 2024

ABA Clinic Renovation



Contact Information

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FF&A Committee Item 3.7

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CPAs & BUSINESS ADVISORS

INTERNAL AUDIT STATUS UPDATE

June 11, 2024

GRANT MANAGEMENT – SPGA

Objective & Scope

To evaluate the effectiveness and efficiency of the University's Sponsored Programs Grant Administration (SPGA) processes. The audit will evaluate compliance with grant provisions and applicable federal, state, local and University regulations, and best practices. Additionally, the audit will identify opportunities for the University to enhance and optimize its grant management activities.

The scope of this engagement is of SPGA activities from July 1, 2023, to current operations.

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INFORMATION TECHNOLOGY

Cyber RA

Pen Test

ETHICS LINE STATUS UPDATE

Ethics Line Cases	Status	Notes
Case #60	**Closed**	Resolved - No further action needed
Case #61	Open	Under review by Division
Case #62	**Closed**	Resolved - No further action needed
Case #63	Open	Under review by Division
Case #64	**Closed**	Resolved - No further action needed

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ACTION

Agenda Item No. 4.1

Fiscal Year 2024-25 Oregon Tech All Funds Budget

Background:

Each year, Oregon Tech conducts an extensive and collaborative process in developing the All-Funds Budget for the next fiscal year. The All-Funds Budget includes the Education and General, Auxiliary, Service Operations and Designated Operations Funds budgets. The General Fund (GF) is the primary operating budget for the university. The General Fund budget also includes "Special General Fund" budgets which are fee-for-service activities such as clinic revenues and grant indirect charges. Distance Education, Advanced College Placement, and Boeing operations are included in the Special General Fund budget since revenues from these programs are used to support general operations of the university. "Other Revenue" includes interest earnings, gain or loss on sale of investments and miscellaneous revenue.

The General Fund includes revenues from tuition and fees, state appropriations through the Public University Support Fund (PUSF), Engineering & Technology Sustaining Fund (ETSF) and Oregon Renewable Energy Center (OREC) along with other miscellaneous income. These revenues are used to fund instruction, research administration, public service, academic support, institutional support, student services and facilities operations of the institution.

Auxiliary, Service and Designated operating funds are separate pools dedicated resources and are included distinctly. Auxiliary budgets include student housing operations, campus life, athletics, parking, student health and other various non-core operations. These operations are expected to be self-supporting and maintain balanced budgets throughout the fiscal year.

Financial Landscape

The lingering effects of the pandemic continued to have some impact on Oregon Tech operations during FY 2023-24, as with most universities across the country. It is no secret that regional universities have been disproportionately impacted compared to their peer flagship universities. The Oregon Tech FY 2023-24 budget required continued spending reductions and operational changes resulting from rising costs and the third consecutive year of an enrollment shortfall along with the related impact on revenue and campus operations.

Oregon Tech managed the continuing challenges through careful planning, fiscal discipline and a mid-year shift to reduce spending even further through year-end to achieve budget targets. In FY 2024-25, Oregon Tech will direct additional resources toward strategic enrollment and student retention initiatives as well as investment in new academic degree programs and the addition of micro-credential and certificate offerings. The focus is on strengthening and accelerating sustainable enrollment growth in market competitive programs that meet evolving workforce needs.

Enrollment growth will not be easy to attain. The economic impact on the economy from the pandemic is widely expected to have a prolonged effect on higher education and has altered how students and families perceive and prioritize the cost and value of higher education. This is further complicated in Oregon where state demographics continue to evolve and there is one of the lowest rates of student matriculation to college upon high school completion as well as one of the lowest rates nationally for the amount of state funding provided per resident student FTE at its public universities.

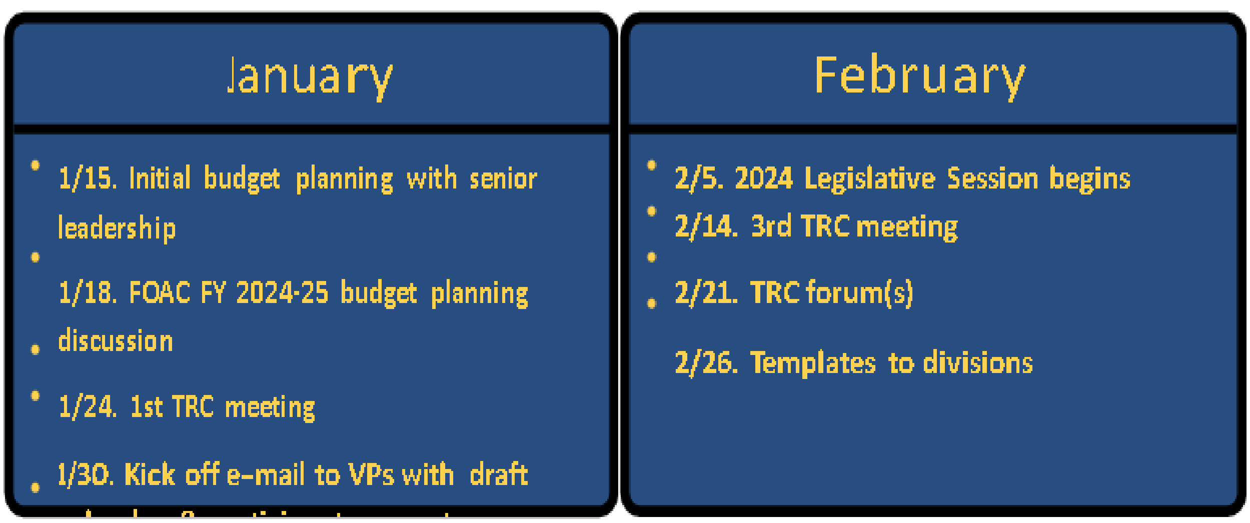
Process

In developing the FY 2024-25 Budget, the university adhered to a set of budget development principles previously established by the Board of Trustees to ensure fiscal responsibility in developing a realistic budget along with operational efficiencies to position the university for continued success in driving its strategic plan and achieving its mission. These principles were jointly developed between the President, Senior Leadership Team and the Fiscal Operations Advisory Council (FOAC) and are as follows:

1) Balance revenue, other resources and expenses within the operating budget.
2) Prioritize recruiting, retaining, and graduating students to ensure long-term sustainability.
3) Align programs and initiatives with industry and employer demand.
4) Invest in faculty, staff, and infrastructure to support student and institutional success.
5) Use an open and transparent budget development process.

A budget process timeline was collaboratively developed and distributed. The process was designed to meet budget objectives supported by the Board and to involve FOAC in the review and advisory process. See Figure 1 below.

Figure 1



March

- 3/6. 4th & final TRC meeting

April

- 4/2. FOAC FY 2024-25 budget planning discussion
- 4/12. BOT meeting -approves tuition & fees
- 4/22. Templates due to BPO
- 4/22 -5/3. Budget Office reviews, issues

May

- 5/6 - 5/17. Divisions make corrections & finalize templates
- 5/6 - 5/17. Senior leadership & FOAC reviews & recommends budget
- 5/28. BOT docket due (approximate)
- 5/30. FOAC FY 2024-25 budget planning discussion

June

- 6/12. BOT meeting -approves final FY25 budget
- 6/28. The Board-approved budget is loaded to FENXT

The FY 2024-25 budget marks the second consecutive year of budget reductions. Following a 1.3% reduction in divisional budget targets for FY 2023-24, it became evident that a more comprehensive institutional strategy was necessary for the FY 2024-25 reductions. Consequently, Senior Leadership transitioned from an incremental budget model to a modified incremental budget model at the institutional level.

Each Vice President selected a budget model for their division that aligned with their organizational structure, budgetary requirements and divisional culture. Notably, the Finance and Administration and Student Affairs divisions adopted a zero-based budget model to achieve their divisional targets. Although zero-based budgeting is a challenging process, it is highly informative, providing significant insights into ongoing budget needs and identifying opportunities for expense reductions.

Budget Assumptions

The following assumptions were used in establishing the FY 2024-25 General Fund budget:

Revenues:

1. The tuition rate is budgeted to increase by 4.5% as approved by the Board in April 2024.
2. Fee remissions are budgeted to increase to approximately 20.1% of gross tuition.
3. State appropriations were budgeted using the second year of the 2023-25 biennium funding based on recent SSCM modeled calculations.
4. The tuition rate increase is budgeted to be offset by a 3% reduction resulting from an expected enrollment decline in FY 2024-25. Oregon Tech has experienced three consecutive years of declining enrollment and is down a total of 19.9% in non-ACP/dual credit headcount from FY 2021-22.

Expenses and Budget Targets:

1. Divisional budget targets for FY 2024-25 were calculated based on the FY 2023-24 permanent budgets, incorporating adjustments for faculty salary increases (including across-the-board, merit, and tenure and promotion raises) and administrative salary increases effective January/February 2024. Following these adjustments, each Vice President was tasked with reducing their divisional budget by 5.7%. This reduction included an additional 1% reduction to create a reinvestment pool, facilitating strategic, targeted investment in critical areas.
2. Salary increases and associated other personnel expenses (OPE) for all employee types were budgeted as pools. The faculty salary pool includes budget for tenure and promotion and funds for the increases mandated in the American Association of University Professors (OT-AAUP) Collective Bargaining Agreement (CBA): a 1% across-the-board increase and an additional 2% pool for merit adjustments. The administrative salary pool includes budget for an up to 3% increase, contingent on available funds, a 2% pool to address potential outcomes from the ongoing unclassified administrative staff compensation study, and provisions for miscellaneous staffing changes. All administrative adjustments are contingent on available funds. The classified staff salary pool accounts for new SEIU cost-of-living adjustments (COLAs): a 6.5% increase effective April 2024, a 2.0% increase effective November 2024, and a 3.5% increase effective June 2025. See Table 2 below. Salary recapture of $3.5M was budgeted, consistent with prior years' budget and actual recapture.
3. Strategic investments were prioritized and scored by Senior Leadership, and the President made final investment decisions taking that feedback into consideration. The operating contingency was reduced as part of budget reductions and will continue to be used for mid-year adjustments as necessary and will be utilized at the discretion of the President.
4. Special General Fund operations, excluding Boeing, Advanced College Placement, Sponsored Projects and Grants Administration and Distance Education established their own revenue targets and are expected to manage expenses within those revenue targets or adjust expenses downward during the year.
5. Finally, to preserve academic program quality and offerings and to continue important student support services, $2.5M is budgeted from the reserve to support a balanced budget.

Table 1

FY 2024-25 Permanent Regular General Fund Budget by Division					
Division	**FY 2023-24 Permanent Budget**	**Net Adjustments[1]**	**Budget Reductions**	**FY 2024-25 Total Budget**	**Variance FY 2023-24 to FY 2024-25**
President	$ 2,563,599	$ (9,354)	$ (146,693)	$ 2,407,552	-6.1%
Academic Affairs	40,161,731	216,142	(1,903,573)	38,474,300	-4.2%
Student Affairs	3,653,950	29,221	(211,528)	3,471,643	-5.0%
Enrollment Management	6,304,763	14,732	(362,934)	5,956,561	-5.5%
Finance and Administration	16,068,071	30,951	(790,583)	15,308,439	-4.7%
University Advancement	2,108,199	9,997	(14,883)	2,103,313	-0.2%
Institutional General	3,002,784	250,000	-	3,252,784	8.3%
Total	**$ 73,863,097**	**$ 541,689**	**$ (3,430,194)**	**$ 70,974,592**	**-3.9%**

1) Adjustments include a position change between the FY 2024-25 portion of January 2024 salary increases, ongoing support for the Math Learning Lab, President's Division and Student Affairs, and a budget increase for rising insurance premiums.

Budget Risks

With persistent, multi-year enrollment declines, the university faces significant budget challenges in FY 2024-25 and beyond. These challenges are being addressed through comprehensive scenario planning and strategic initiatives. Challenges include, but are not limited to:

- Achieving enrollment, housing, student services, research and clinical activities targets
- Labor relations outcomes that increase labor costs
- Changes in Oregon tax and lottery revenues could impact higher education funding
- Redesign of the SSCM model (process should be underway in Fall 2025) could change Oregon Tech's share of the PUSF
- Evolving state priorities and competing demands on resources from other sectors in the economy could impact higher education funding

Table 2

FY 2024-25 General Fund Budget

	FY 2023-24	FY 2024-25	Variance FY 2023-24 to FY 2024-25	
Revenues				
State Appropriations	$ 33,819,717	$ 37,445,936	10.7%	
Tuition and Fees (less special general funds)	38,807,036	37,343,370	-3.8%	(1)
Remissions	(5,805,377)	(7,519,960)	29.5%	(2)
Other Revenues (less special general funds)	1,275,771	1,914,535	50.1%	
Special General Fund Revenues	1,926,987	1,898,094	-1.5%	
Total Budgeted Revenues	**$ 70,024,134**	**$ 71,081,975**	**1.5%**	
Expenses				
Permanent Budget	$ 72,476,862	$ 70,974,592	-2.1%	
Salary Recapture	(3,500,000)	(3,500,000)	0.0%	(3)
Special General Fund Expenses	1,926,987	1,898,094	-1.5%	
Contingency Reserve	517,603	560,000	8.2%	(4)
Administrative Salary Pool (effective January 1, 2025)	114,343	408,430	257.2%	(5)
Faculty Salary Pool (effective Jan/Feb 1, 2025)	273,337	386,342	41.3%	(6)
Classified Salary Pool	-	930,722	-	(7)
Strategic Investments	1,215,002	1,923,795	58.3%	
Total Budgeted Expenses	**$ 73,024,134**	**$ 73,581,975**	**0.8%**	
Net from Operations Before Other Resources (Uses)	**$ (3,000,000)**	**$ (2,500,000)**		
Other Resources (Uses)				
Use of Reserve	$ 3,000,000	$ 2,500,000		
Total from Operations and Other Resources (Uses)	**$ -**	**$ -**		

(1) Tuition revenue projections are based on an estimated 3.0% decline in student credit hours.
(2) Budgeted remissions account for updated eligibility criteria and increased award amounts.
(3) Budgeted salary recapture aligns with the savings realized over the past four fiscal years.
(4) The contingency fund is 0.8% of operating revenue.
(5) The administrative staff salary pool includes a contingent budget for mid-year salary increases, budget for miscellaneous staffing changes, and a reserve for adjustments based on the administrative compensation study. The FY 2024-25 portion of January 1, 2024 salary increases is already in the FY 2024-25 budget.
(6) The faculty salary pool includes budget for January 1, 2025 salary adjustments (per the AAUP CBA) and faculty promotions. The FY 2024-25 portion of January 1, 2024 faculty increases is already in the FY 2024-25 budget.
(7) The classified salary pool increases salary budgets to align with the new SEIU CBA.

Fund Balance

The reserve balance at FYE 2023-24 is expected to total just over $14M or approximately 19.6% of forecasted operating revenue. With the recommended FY 2024-25 budget, the ending reserve balance for FY 2024-25 is expected to total $11.5M or 16.2% of budgeted operating revenue by the end of FY 2024-25. This percentage is above the amount required by Board Policy and is within the range that the Board has defined as acceptable.

Summary

The ongoing budget challenges at Oregon Tech are from a sustained decline in enrollment, which has put considerable pressure on our financial resources. Despite these difficulties, we are committed to strategic investments aimed at reversing this trend. To address the enrollment decline, we are allocating budget towards enhanced marketing efforts and continuing to leverage special state appropriations to develop robust retention initiatives and the development of strong student pipeline programs. These investments are designed to attract new students, improve student retention rates, and ensure a steady influx of prospective students.

However, we have also strategically reduced divisional budgets in FY 2024-25 to help stabilize the budget as enrollment evolves. This requires a comprehensive review of all departmental budgets, prioritizing essential services and programs, and identifying areas where reductions can be made with minimal impact on the core mission of the university. We continue to develop and improve budget processes to promote more strategic and effective resource allocation. For example, two divisions, representing 26% of the expense budget, undertook the complex process of zero-based budgeting. These efforts will continue into FY 2025-26 and beyond. By preparing for potential financial shortfalls, we intend to maintain fiscal responsibility and sustainability, ensuring that we can continue to provide quality education and support to our students. A $2.5M approved use of reserve will allow Oregon Tech to preserve faculty and staff positions to maintain academic quality and support services and maintain momentum on initiatives to stabilize enrollment.

Recommendation:

After review of the proposed FY 2024-25 All-funds Budget and related documents, **staff recommends a Motion from the Finance and Facilities Committee to the full Board for approval of the FY 2024-25 All-funds Budget as provided herein.**

Attachments:

Auxiliary, Designated Operations and Service Fund Budget Overview

Attachment

Auxiliary, Designated Operations and Service Fund Budget Overview:

FY 2024-25 Non E&G Funds Budget

	Auxiliary	Designated	Service
Revenues			
Academic Affairs (HAS only)	$ 500,000	$ -	$ -
Student Affairs	10,425,914	-	-
Finance & Administration	3,663,300	5,790	180,000
OMIC	903,000	-	-
Total Revenues	**$ 15,492,214**	**$ 5,790**	**$ 180,000**
Expenses			
Academic Affairs (HAS only)	$ 500,000	$ -	$ -
Student Affairs	10,621,374	-	-
Finance & Administration	3,515,825	5,000	180,000
OMIC	430,000	-	-
Total Expenses	**$ 15,067,199**	**$ 5,000**	**$ 180,000**
Net	**$ 425,015**	**$ 790**	**$ -**