



## The Board of Trustees of Oregon State University

---

### Meeting of the Finance & Administration Committee

March 30, 2016

Horizon Room, Memorial Union  
Kerr Administration Building, OSU  
Corvallis, Oregon

### MINUTES

**Committee Members Present:** Ron Adams (*ex officio*), Mark Baldwin (*by phone*), Patty Bedient, Darry Callahan, Mike Green (*ex officio*), Brett Morgan, Laura Naumes (*by phone*), Pat Reser (*ex officio*), Kirk Schueler (*chair*), and Mike Thorne (*vice chair*)

**Other Trustees Present:** Rani Borkar, Michele Longo Eder, Paul Kelly, Brenda McComb, Preston Pulliams, and Ed Ray

**University Faculty and Staff Present:** Anita Azarenko, Sherm Bloomer, Steve Clark, Debbie Colbert, Becca Gose, Mark Huey, Jan Lewis, Patti Snopkowski, and Marcia Stuart

**Guests:** Deanna Gregory (*partner, Pacifica Law Group*) and Susan Musselman (*director, Public Financial Management, Inc.*)

#### 1. Call to Order/Roll /Declaration of a Quorum

Committee Chair Kirk Schueler called the meeting to order at 1:04 p.m., asked the assistant board secretary to call the roll, and noted a quorum.

#### 2. Report from Interim Vice Presidents for Finance and for Administration

Interim Vice President for Finance Mike Green reported that the Division of Finance and Administration launched a strategic planning initiative for the division in November. The goal was to develop a compelling and comprehensive strategic plan for the 2017-19 biennium. Green said the leadership team kept focus on the essentials of the University's strategic plan: enhancing diversity, stewardship of resources, and technology as a strategic asset. He reported that the team's work resulted in developing a vision statement, a values and ethos statement, and specific goals and strategies for the division's strategic plan. The leadership and their direct reports are at work with their respective staffs to develop objectives for each strategies identified with a goal of developing an implementation plan, communications plan and accountability plan by mid-September.

Interim Vice President for Administration Ron Adams reported on the status of the search for a new Vice President for Finance & Administration. He said that Vice President for Research Cindy Sagers chairs the committee and that the committee has developed a position description. He also said that the University has hired the search firm Storbeck/Pimental & Associates to assist the committee with the search. Adams reported that the committee is anticipating an April-May timeline for identifying a pool of candidates.

## TAB A

### 3. Consent Item

#### a. Minutes of the February 23, 2016 meeting

A motion was made and seconded to approve the February 23, 2016 Committee meeting minutes as presented; the motion carried.

### 4. Education/Discussion Item

#### a. Operating Budget Context and FY2017 Outlook

Committee Chair Schueler asked Adams to introduce the item on the operating budget context and FY2017 outlook. After his introduction, Adams introduced Director of Budget & Fiscal Planning Sherm Bloomer. Bloomer said that in setting tuition and fee rates, staff had responded to the elements included in the Board's resolution for setting tuition and mandatory fees including (1) budget trends and projections, (2) historical tuition and fee trends, (3) comparisons to peer institutions, (4) projected cost and revenue issues for the next fiscal year, and (5) impacts on student access and affordability. He noted that Education & General (E&G) funds continue to rely heavily on tuition, and that enrollment growth, particularly online, continues to drive tuition, and personnel costs represent 75% or more of the University's expenditures. He reported that emerging issues related to budget trends and projections are (1) the continuing service level funding from the state, (2) Public Employee Retirement System (PERS) rate increases in 2017-19 and following biennia, which will consume significant revenue growth, and (3) whether the state will fund the OSU-Cascades campus as it does other regional universities rather than as part of the state's funding of OSU-Corvallis. Bloomer also said that, as proposed for FY2017, undergraduate tuition and fees for Oregon residents would be lower than the median for Oregon State's strategic peers, land-grant peers, and other public Pac-12 schools. Undergraduate tuition and fees for non-resident students would be greater than the median for our strategic peers and less than the median for our land-grant peers and other Pac-12 schools.

For graduate students, proposed tuition and fees for Oregon residents would be greater than our strategic peers, land-grant peers, and other public Pac-12 schools. For non-resident graduate students, proposed tuition and fees would be less than those charged by our strategic peers, land-grant peers, and other public Pac-12 schools. Bloomer said that staff were proposing a 2.1% tuition increase for resident undergraduates, no increase for non-resident undergraduates, a 0.6% increase for resident graduate students, and a 4.0% increase for non-resident graduate students. Trustee Mike Thorne asked Bloomer whether staff could provide costs and revenue associated with Ecampus growth, which would be helpful for strategic planning. Adams said that costs associated with future growth of the Ecampus program are being included in a 10-year capital investment plan that is being developed. Trustees participated in a long discussion about the University's obligations to PERS and the Public Employees Benefits Board (PEBB). Trustee Brett Morgan asked whether some kind of communications would be going out to students who may no longer qualify to receive an Oregon Opportunity Grant due to the legislature's change in how those grants are to be awarded. Bloomer said that the University's financial aid office had been working diligently to provide funding to meet students' needs.



## 5. Action Items

### a. FY2017 Tuition Rates and Mandatory Fees

Bloomer presented the FY2017 proposed tuition rates and mandatory fees. His presentation included a summary of the processes and considerations in developing the proposal, including student input received. Bloomer and the Committee discussed the process used to engage students in the tuition setting process, noting the need for more engagement of students. Bloomer shared a number of ideas he will be pursuing next year to improve awareness and engagement by students. Committee members inquired about targeted interventions for students in particularly difficult financial situations. Bloomer said that to address the effect of the proposed increases on students, the proposal continues and increases the amount of financial assistance the University provides. Following Committee discussion, a motion was made and seconded to recommend that the Board approve the resolution establishing the academic year 2016-17 and summer 2017 tuition and mandatory fees as provided in Tab O, Amendment 1. The motion carried.

### b. 2017-19 Biennial Funding Request – Operating

Schueler asked Adams and Jan Lewis, director of administrative services in the division of finance and administration, to provide background for the Committee's discussion of the University's 2017-19 Biennial Operating Funding Request. Adams provided the context and Lewis focused on the highlights of the request. Adams said that the Higher Education Coordinating Commission (HECC) had provided guidance to the seven public universities regarding 2017-19 state funding, requesting that universities model four funding level scenarios for the Public University Support Fund. Adams noted that the seven universities had actually modeled 11 different funding scenarios and planned to include six scenarios in the consolidated request. He said the public universities have focused on the importance of a more accurate calculation of the Current Service Level (CSL) to cover anticipated cost increases in PERS benefits and health benefits managed by the PEBB as well as obligations resulting from negotiated employee bargaining agreements. He also said that in the scenarios under consideration, Scenario 1 would cover the state's share of these cost increases while also allowing universities to keep tuition increases below 5%. Further, Adams noted that having the state fund the CSL at the level proposed by Scenario 1 would allow Oregon State to provide more resources for, and make significant progress in improving student success.

A motion was made and seconded to recommend that the Board endorse Scenario 1 (as illustrated in Tab P, Table 2, "2017-19 Draft Funding Request"). The motion carried.

## 6. Education/Discussion Item

### a. Capital Budget Context, including Long-Range Plan Development and FY2017 Preliminary Capital Plan

Following a 10-minute break, the Committee reconvened to hear Adams and Anita Azarenko, special assistant to the vice president for finance and administration, make a presentation on the context for the capital budget. Adams summarized the content of the Capital Budget Context and then Azarenko presented information about the major facilities that had been constructed in the past five biennia (2006-2015). She described expenditures by funding source for major capital projects and reviewed expenditures for deferred maintenance and capital improvement and renewal, including improvements to accessibility. President Ray and Trustee Morgan each commented on the importance of



## TAB A

Oregon State continuing to address campus accessibility issues. Trustee Callahan asked whether there were an overall plan to address projects in “out” years, and Azarenko replied that the Facilities and Capital Budget staff are working closely with staff at the OSU Foundation in developing a 10-year plan. Chair Reser recommended that Adams consider sharing part of his presentation with the OSU Foundation board. President Ray recommended staff prepare materials regarding the opportunity costs of prioritizing one project over another. Trustee Thorne recommended staff develop information quantifying what revenues, if any, may be expected for the expenditures that are made, and Committee Chair Schueler asked staff to tie the proposed projects that will appear in the 10-year capital plan to Strategic Plan 3.0.

### 7. Action Items

#### a. 2017-19 Biennial Funding Request – Capital

Following the presentation on the capital budget context, Adams provided an overview on the 2017-19 Biennial Capital Funding Request, noting that Oregon State will propose that the University forward separate proposals for investments in the Corvallis and Cascades campuses. This approach recognizes the major capital investment needed by OSU-Cascades over the next five years. During the discussion, Board Chair Pat Reser asked where faculty and staff are located when their building is renovated. Adams and Azarenko explained that the University maintains a space inventory that is managed to anticipate renovation projects that require faculty and staff to move so that “swing” space is available to meet those needs well in advance of the renovation. Trustee Michele Longo Eder asked about the next steps in the process and whether OSU’s capital priorities become part of a seven-university priority list that will be presented to HECC. Green said the Vice Presidents of Finance and Administration Council will meet to develop a single list of priorities for the seven universities. That list will be presented to the Presidents Council for review and approval before it is forwarded to HECC, which has final authority on which projects to move on to the Governor as part of the Governor’s budget to the legislature.

Following the presentation and discussion, a motion was made and seconded to recommend that the Board approve the 2017-19 Biennium Integrative Capital Plan as provided in Tab R, Table 1. The motion carried.

#### b. Issuance of OSU Revenue Bonds

Chair Schueler asked Green to present the item proposing authorization to issue University revenue bonds to fund two projects, the \$42 million OSU-Cascades residence hall and dining/academic center and the \$10 million IT systems infrastructure project. The Board previously approved these projects in 2015-17 Biennium Capital Plan. Green introduced Deanna Gregory, partner, Pacifica Law Group, who was available to answer Trustees’ questions about any legal matters related to the proposed bond issuance. Green reminded Committee members that, as part of the approval of the biennium capital plan, the Board required that the Finance & Administration Committee review a financial pro forma for each of these projects before they could start and that the Committee had reviewed the pro formas at its October 2015 meeting.

Following this presentation, a motion was made and seconded to recommend that the Board adopt the resolution provided in Tab S, Attachment 1. The motion carried.

**8. Adjournment**

With no additional business proposed, Schueler adjourned the meeting at 4:30 p.m.

Respectfully submitted,



Mark C. Huey  
Assistant Board Secretary