



MINUTES

Committee Members Present: Patty Bedient (Chair), Darry Callahan (Vice Chair), Rani Borkar, Kirk Schueler, and Mike Thorne

Other Trustees Present: Julia Brim-Edwards, Michele Longo Eder, Becky Johnson, Julie Manning, and Stephanie Smith

Trustee Nominees Present: Maria Chavez-Haroldson, Susan Clark, Roman Hernandez, and Inara Scott

University Staff Present: Steve Clark, Debbie Colbert, Bruce Daley, Nicci Dolan, Ed Feser, Becca Gose, Mike Green, Heather Hesano, Paul Odenthal, Heidi Sann, Patti Snopkowski, Lauren Skousen, and Irem Tumer

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

Committee Chair Bedient called the meeting to order at 10:31 a.m. and asked Board Secretary Debbie Colbert to call the roll. A quorum was noted.

2. Vice President for Finance and Administration's Report

Vice President for Finance and Administration and Chief Financial Officer Mike Green began with an update on the Department of Public Safety (DPS). He shared that Chief Shanon Anderson and the entire DPS team have been working to foster a safe campus community as on-site operations have resumed. Green said that recruitment of officers and staff continues and provided the status of the efforts to fill the various roles and positions.

Green shared that Paul Odenthal and Chief Anderson are working with university partners to create a public safety committee that will foster public safety transparency, accountability, and community engagement. Green said that a small work group with representation from the Office of Institutional Diversity, Diversity & Cultural Engagement, University Housing & Dining Services and Athletics is working on a design of the oversight and accountability function and charter, with the committee starting their work in the winter. Green said that DPS continues to work with Student Affairs and the Office of the Dean of Students on building and hiring for the OSU Assist program.

Green noted that OSU's patrol officers and dispatchers, in coordination with Benton and Linn County Sheriffs, Corvallis and Albany police, the Oregon Liquor and Cannabis Control and UO Public Safety Department, supported OSU's first home

football game of the season on September 11, 2021. Green said there was a lot of positive feedback and interactions with fans during the game.

Green shared that those who are interested can now view a weekly incident log on the DPS website. As well, Green shared that biographies of each of the public safety officers are also now available on the website.

Green then moved on to discuss the 4th quarter 2021 report. He noted that it includes some significant variances, most on the positive side. Green said that in the E&G space, \$23M less than projected was spent, largely due to spending less than anticipated on Outdoor School due to COVID restrictions. Green shared that in self-support units, \$3M more in revenue than projected was received, mostly due to greater than anticipated revenue from athletic sponsors as well as better than anticipated retention of residential students by UHDS. Green shared that self-support units also spent \$14M less than anticipated, primarily due to Athletics realizing savings from reduced home events, team travel and recruitment. UHDS realized \$4M in savings due to cost containment efforts. Green said that while E&G reserves may be higher than anticipated, it is important to note that some of the funds are earmarked for specific programs, such as Outdoor School.

Trustee Kirk Schueler noted from the report the mention of significant revenue from robot food delivery service. Green affirmed that it indeed has contributed positively to revenue as well as being well-received on campus. Green then provided an explanation of the "Other revenue" designation in the report and that it does not include COVID-19 funds. Schueler noted the high level of operating reserves and asked Green about what issues that creates. Green said that significant amounts are already earmarked to go out and overall, the university reserves are spread out across the university, mostly in academic departments that will strategize how to utilize the reserves. He said the centrally available funds will be used to invest in improvements in administrative systems efficiencies.

Green then reported that OSU now maintains full management and operation of The Gem housing facility and renovations will occur over several years, minimizing the need to take housing units offline. As well, Green shared that the construction of the Arts and Education Complex is underway.

3. Consent Agenda

- a. **Minutes of the May 20, 2021 Finance & Administration Committee Meeting**
- b. **FY2021 Q4 OSU Operating Management Report**
- c. **FY2021 Q4 Investment Reports**
- d. **Capital Project Stage Gate I: LaSells Mechanical and Roof Renewal Project**
- e. **Capital Project Stage Gate II: Valley Library Roof Replacement**

Bedient noted the inclusion of a solar power installation with the Valley Library Roof Replacement project, which will be funded using federal incentives. Bedient said that the capital projects were in the consent agenda because they have recently been before the committee, are within budget, and are relatively straightforward and maintenance based. Bedient then asked whether anyone wished to move any of the consent agenda items to the regular agenda. There were no requests to do so. A

motion was then made and seconded to approve the consent agenda and the motion carried.

4. Action Items

a. **Adjustment of Financial Metrics and Operating Ranges**

Bedient began by noting that the adoption of the financial metrics is within the committee's charter. Bedient then introduced associate vice president for finance and controller, Heidi Sann, and treasury director, Heather Hesano. Sann began by sharing that in March 2015 the Finance and Administration Committee approved eight financial metrics and in June 2016 adopted operating ranges relative to the metrics. Sann said that now, with five full years of historical financial data, is a good time to re-evaluate the ranges. Sann then said that in March 2021 OSU's credit rating agency, Moody's Investor Services, released proposed changes to their financial metric calculations for evaluations of higher education. Sann said that in August 2021 the updated methodology was finalized, and OSU's Aa3 stable rating was reaffirmed. Sann then turned the presentation over to Hesano to review the evaluations process and talk about the proposed replacement ratios and operating ranges.

Hesano began by sharing that the review of financial metrics process was done by working with OSU's financial advisor, PFM. Hesano said the purpose of the review included looking at which financial measures are best practices in higher education. Hesano said that proposed metrics were compared with 14 financial peer group institutions with similar missions and financial opportunities and constraints as OSU and are land grant institutions. Hesano said that OSU does not make decisions based on the university's Moody's rating (Aa3) but does consider the impact of decisions on the rating. Hesano provided an overview of OSU's metrics relative to peers and in the context of Moody's upper and lower boundaries and an explanation of the recommendations for financial metrics and operating ranges. Trustee Schueler asked for clarity about OSU's cash and investment to operating expenses ratio being negatively impacted by pension and post-retirement liability. Hesano confirmed that it is negatively impacted, and that OSU is below its peers because OSU's pension liability is higher than our peers. Trustee Callahan asked whether Hesano was suggesting that to improve OSU's EBIDA ratio (earnings before interest, depreciation, and amortization), reserves should be increased. Hesano said it should be considered as the university grows because reserves of land grant institutions are generally low. Schueler clarified that it is through growing OSU's reserves, the EBIDA ratio is improved, and Hesano concurred. Green said that trend lines and forecasts help us determine whether a strategy change is needed. Trustee Bailey asked about where the metrics would need to stand to weather the next pandemic event. Green said he does not have a specific answer but that reserves are very important. He said that Ecampus program is a risk mitigator for things like a pandemic. Green said we would want OSU to remain toward the low end of the debt burden ratio. Schueler noted the new metrics and ratios provide clarity and standardization with industry.

Seeing no more comments or questions, Bedient asked if there was a motion to adopt the new financial metrics and operating ranges to replace the current

financial metrics. A motion was raised and seconded, and the motion carried.

b. Debt Policy and Liquidity Management Policy Amendments

Hesano explained that the proposed amendments within both policies reflect the committee adoption of the recommended ratio changes. Hesano further explained that debt policy updates for the four replacement ratios and the liquidity management policy contain all five financial measures to be reported as financial indicators. Hesano said that the debt policy also contains other proposed changes to clarify and expand compliance procedures in place for pre and post issuance compliance related to tax-exempt debt. Hesano said that inclusion of compliance practices is a recommended best practice from our bond counsel.

Bedient asked whether there were any questions or further discussion. Hearing none, Bedient asked if there was a motion to recommend to the board the adoption of the amended debt policy and liquidity management policy. A motion was raised and seconded, and the motion carried.

c. 2022 Finance & Administration Committee Work Plan and 2021 Board Assessment Results

Bedient began by thanking the committee for providing their feedback on the survey and for all of the work accomplished the past year in spite of the pandemic. Board Secretary Colbert agreed with Bedient's comment about the amount the committee got done and Borkar added her appreciation. Green noted that the 10-year forecast is scheduled for January and the intent is to now provide that forecast every January, rather than every two years. Green said the January Internal Bank report will include a deeper dive on OSU's investment program, which supports the Board's fiduciary responsibilities. Bedient said that the Finance and Administration Committee plan is a road map and not set in stone, so that adjustments can be made as necessary.

Bedient asked whether there was further discussion on the work plan. Hearing none, Bedient asked whether there was a motion to approve the 2022 Finance & Administration Committee Work Plan and 2021 Board Assessment Results. A motion was raised and seconded, and the motion carried.

5. Discussion Items

a. FY2022 Operating Budget Update

Bedient introduced Mike Green, vice president for finance and administration, and Nicci Dolan, budget development director, to provide the FY2022 Operating Budget. Green began by reminding the committee that a budget was adopted May 2021, noting that there were significant uncertainties in the budget. Green said the state legislature had not concluded their deliberation on how much money would be allocated to higher education and there was uncertainty around fall enrollment. Green said that a budget adjustment was considered but he does not think that any special action is necessary as there are not significant variances from the budget. However, Green said that accountability for actual results versus the budget will be done via quarterly reports throughout the year.

Green then turned the presentation over to Dolan to provide an update on where

the university is with the budget. Dolan began with a summary of what has changed since May. Dolan said that overall the operating budget remains similar. Dolan said state funding increased significantly (\$11.9M) and student enrollment is looking strong, but Corvallis tuition revenues are down. Dolan said that E&G expense estimates remain about the same and self-support revenue and expenses are still the same as in the May budget. Dolan shared that Athletics is seeing a decrease in ticket sales revenue from what was expected. Revisions of estimates are pending from University Housing and Dining Services (UHDS), where there was a much stronger occupancy rate than forecasted. Dolan said that restricted fund revenues and expenses remain the same and the net working assets and fund balance for E&G finished much better than expected. Dolan provided a review of tuition changes and explained the growth in enrollment is attributed to Ecampus where students take lower average credit hours and there is not the traditional non-resident tuition rate. Dolan said that continuing undergraduate enrollment is down, but non-resident enrollment is up. Dolan said that the non-resident enrollment increase comes with increased participation in the Western Undergraduate Exchange (WUE), which results in higher financial aid costs to the university, but overall, it is still positive for net tuition revenue.

Dolan then shared that the FY2021 forecasted ending balances show significant improvements from what was budgeted. Dolan said the final E&G fund balance improved by \$26.1M, with \$11.9M unspent Outdoor School revenues which could not be spent due to COVID restrictions. As well, Dolan shared that many units had lower than expected spending in the fourth quarter, given unanticipated continuing COVID restrictions. Additionally, the decision was made to fund capital improvement and renewal projects through the internal bank. Dolan said the final FY2021 self-support balances improved by \$34.8M from forecasted, which can be attributed to federal COVID relief funding that was transferred in from restricted funds, the internal bank loan for the statewide fiber network project, realized savings in Athletics due to decrease in travel, scholarships, events, and recruiting expenses and decreased expenses in UHDS due to diligent cost containment. Green added that Athletics was anticipating a \$30M loss, but the loss ended up being \$21M. Lastly, Dolan said that net working assets for restricted funds saw a decline of \$13.7M due to the drawdown and subsequent transfer out of the federal funding. As well, Dolan said there was \$7M less in campus-affiliated OSU Foundation gifts and \$2.3M in harvest sales that was transferred out to the Forest Science Complex project. Finally, Dolan said the better ending position for FY2021 improves the budget for FY2022 and that the ending E&G reserve balances are sufficient to weather a fair amount of unexpected downturn related to public health changes.

Dolan then reviewed multiple FY2022 revenue estimates for Corvallis as of September 22, 2021, including upside and downside scenarios and a current snapshot. Dolan said while the current snapshot is very close to the board budget presented in May, the worst-case scenario is about \$10M less but only \$3M less than what was distributed to the E&G units. Dolan said there is confidence that the reserves are sufficient to manage any potential serious downturn for the upcoming year.

Borkar asked about flexibility for students who may be fearful or choosing to enroll later in the year. Dolan suggested the enrollment question is best answered by Jon Boeckenstedt. Dolan said that from a budget standpoint, the Budget Office is very conservative in estimates, though it would take losing more than a few students for the numbers to be adjusted. Feser added that from an enrollment side, throughout the pandemic, OSU has been extremely flexible on withdrawal policies and distribution of aid, which has created uncertainty from an enrollment side but it is the right thing to do.

Callahan asked about the residence hall capacity and whether it is being restricted due to COVID. Dolan and Green said UHDS did have to reserve some space for quarantine, so in a normal year UHDS has had more capacity. As well, Dolan said they are seeing an increase in numbers as many students who were first year students last year still want the live-on experience as they enter their second year.

With no further questions or discussion, Bedient closed the topic noting that it was not an action item.

b. Capital Project Status Report

Bedient began by introducing Paul Odenthal, senior associate vice president for finance and administration and Bruce Daley, associate vice president for university facilities, infrastructure and operations. Odenthal began by noting the success of the year in that OSU was able to maintain budgets and schedules despite the pandemic and the summer wildfires. Odenthal then provided an overview of five completed projects – the Gymnastics Practice Facility, the North District Utility Plant, the Western Shops and rebuild, Burt Hall II reconstruction and the OSU-Cascades Edward J. Ray Hall. Odenthal said rooftop solar arrays are being considered in conjunction with roof replacement projects, contributing to the University’s efforts towards carbon neutrality. Daley then shared an overview of projects currently under construction – the Arts and Education Complex, the PacWave Energy Test Facility, the Owen Hall remediation, the Cordley Hall renovation, the Fairbanks Hall renovation and the Graf Hall renovation. Odenthal then spoke about the Reser Stadium project, which will improve the game day experience by rightsizing the seat numbers and providing 360-degree connectivity around the stadium. As well, Odenthal referred to the Welcome Center for prospective students and their families and the student wellness clinic which will be operated in partnership with Samaritan Health Services. Odenthal said the project and demolition will begin in November and staff are working through bids with the general contractor as staff see volatility in the market. Odenthal noted that fundraising for the project is going well and that \$84M of the \$85M goal has been raised, with prospects to meet or potentially exceed the goal. Daley then spoke about projects in planning stages – the Valley Library Roof Renewal, the HMSC Research Seawater System Renewal and the Washington Way improvements.

Daley then spoke about opportunities and challenges, which include market volatility due to COVID and natural disasters; workforce shortages and supply chain issues; the ability to evaluate far in advance for projects such as the

Newport Student Housing and the Upper Division Student Housing projects; and project management staffing.

Odenthal ended by sharing about upcoming events, including a Capital Projects Forum, a Path to Carbon Neutrality Forum and the Ten-Year Capital Forecast presentation to the Board in January 2022.

Manning asked how staff are managing to stay on budget during such a volatile time. Odenthal said that in many cases, it was fortunate timing. As well, Odenthal said they are making strategic decisions about some projects based on what they project the market conditions will be. Manning noted that the stage gate system is working well in terms of keeping projects on budget. Smith asked about the Pathway to Carbon Neutrality forum and whether it would be open to all the university community and Odenthal said it would be in webinar format, with presentation on the plan and time for feedback, and that it would be open to the entire community. Smith then asked about the plan for Snell. Odenthal said that Snell will go away at some point, but it is not on the 10-year forecast. Hurd then asked about the geosource technology being employed at OSU-Cascades. Odenthal said it is an energy efficient system that uses the energy stored in groundwater to provide heating and cooling. Daley ended by noting the great efforts of the management teams to keep projects going on or under budget during very challenging circumstances.

Bedient ended with appreciation for all that is being done, as well as the variety of projects, asking Odenthal and Daley to convey thanks to their teams.

6. Adjournment

With no further business proposed, Chair Bedient adjourned the meeting at 1:12 p.m.

Respectively submitted,



Jen Humphreys

Assistant Board Secretary