



**Telephonic Meeting of the Finance & Administration Committee**

July 30, 2019

Telephonic and Allworth Conference Room (207) Memorial Union  
Oregon State University  
Corvallis, Oregon

**MINUTES**

**Committee Members Present:** Patty Bedient (*chair*), Rani Borkar (*ex officio*), Mike Green (*ex officio*), Khawater Hussein, Kirk Schueler, Stephanie Smith, and Mike Thorne (*vice chair*)

**Other Trustees Present:** Mike Bailey, Michele Longo Eder, Julie Manning, and Ed Ray (*ex officio*)

**University Staff Present:** Jennifer Almquist, Scott Barnes, Sherm Bloomer, Steve Clark, Debbie Colbert, Aaron Collett, Ed Feser, Becca Gose, Malcom LeMay, Roberta Marinelli, Paul Odenthal, Steve Pitman, Lauren Skousen, Patti Snopkowski, Kelly Sparks, Irem Tumer, and Christina Vinson

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

Committee Chair Patty Bedient called the meeting to order at 8:31 a.m. and asked the assistant board secretary to call the roll. A quorum was not present, and the Chair moved to the Vice President for Finance and Administration's Report until additional trustees had joined the call.

**2. Vice President for Finance and Administration's Report**

Vice President for Finance and Administration and Chief Financial Officer Mike Green provided an update on negotiations with the Service Employees International Union (SEIU) Local 503. SEIU moved negotiations into the mediation phase, with the first mediation session held on July 22, 2019. Green said August 7 was the earliest either party could declare impasse, noting that it was not the university's intention to do so, but if SEIU declares impasse, the parties would submit their final offers within seven days of the declaration, and then a 30-day cooling off period would begin. After the cooling off period, SEIU could strike after providing the required 10-day notice. Green spoke about the Department of Administrative Services (DAS) settlement agreement with the SEIU and described the offers exchanged between the SEIU and Oregon's seven public universities. He said the universities' initial offer was presented before the Legislature released its biennial funding to higher education, and the offer was increased after receiving an additional \$100M from the state. Green provided additional context, noting the cost of each percentage point increase to Education & General (E&G) Funds. He said the next step in the contract negotiations would be meetings in early August without the mediator and later in August with the mediator. President Ed Ray and Green discussed past history with university/SEIU settlements. In response to a question by Trustee Julie Manning about contract negotiations with the state versus those with Oregon's seven public universities, Green said the Legislature sets aside funds in anticipation of increases negotiated by DAS but does not do the same for the universities. He added that

although the universities' negotiations with SEIU are led by the University Shared Services Enterprise, which provides a variety of functions for Oregon's public universities, the economic realities vary by institution. Trustee Mike Thorne added that while DAS can seek additional support from the state's Emergency Board, the universities do not have a similar pool of funding.

Green also provided an update on negotiations with the United Academics of Oregon State University (UAOSU). He said the university's focus has been on resolving the standard contract language before moving to settle the non-economic and then economic matters. Substantive bargaining started in February, with parties agreeing to negotiate for a minimum of 240 days. Green also provided a legislative update, reminding trustees that the Higher Education Coordinating Commission (HECC) requested during the 2019 legislative session approval of \$353.1M for capital investments and state-funded debt for Oregon's public universities, including funding for deferred maintenance. The HECC's prioritized request to the Legislature included state-paid bonds of \$28M for the \$56M Cordley Hall Renovation, \$35M for the \$75M arts and education complex, \$12M for the \$17M Student Success Center at OSU-Cascades, and \$17.5M for land development at OSU-Cascades. Green said the Legislature funded \$65M for deferred maintenance and pushed \$315M in debt capacity for capital projects to the February 2020 session with the intent of prioritizing funding based on the HECC's new strategic capital development plan and updated scoring rubric. The development of the plan has involved meetings between each university and the HECC's consultants, and the plan is to have a draft by the end of August. Green also described the HECC's recently circulated proposed new scoring rubric.

### 3. Consent Agenda

- a. Minutes of the May 30, 2019 Finance & Administration Committee Meeting
- b. FY2019 Q3 OSU Operating Budget
- c. FY2019 Q3 Investment Reports

With additional trustees having joined the call, a quorum was present. A motion was made and seconded to approve the items on the consent agenda. The motion carried.

### 4. Action Items

- a. Capital Project Stage Gate: OSU-Cascades Academic Building 2

Bedient asked Associate Vice President of Finance and Strategic Planning Kelly Sparks and Director of Facilities and Operations Steve Pitman to present this item. Sparks said the OSU-Cascades Academic Building 2 (AB2) project would allow the campus to grow the teaching and research capacity of STEAM (science, technology, engineering, arts, and math) disciplines, including Engineering, Physical Therapy/Kinesiology, Outdoor Products, and Arts Media and Technology. The building will create capacity for more than 500 students at OSU-Cascades and house general purpose classrooms, flexible laboratories, maker spaces, and offices. Sparks added that the design for AB2 is intended to be prototypical, allowing future academic buildings on the campus to leverage its programming, design, and construction lessons, reducing costs and improving building function and aesthetics. She said AB2 will incorporate innovative use of Oregon manufactured wood products, potentially including cross-laminated timber (CLT). SRG Architects and Swinerton Builders were selected to help design and build the project. Sparks noted that the project will also construct new

onsite infrastructure — including utilities, landscaping, and roadways — and will showcase the aesthetic and sustainability goals set forth in the Long Range Development Plan. In addition to the onsite infrastructure, the OSU-Cascades Master Plan, as approved by the city of Bend, requires OSU-Cascades to build offsite infrastructure to mitigate traffic impacts caused by AB2 development. Sparks said that AB2, together with the associated on- and offsite infrastructure, is estimated to cost \$50.2M and will be funded by state-paid XI-Q bonds, state-paid XI-G bonds, and gift funds. The project funding also includes a new addition of \$1.2M in student fee reserves, which was added at the request of students, who have asked to construct the Oval Green and other exterior amenities together with the AB2 contract, as state funding for the Student Success Center project, which originally included these exterior amenities, is unlikely to be funded in the current biennium. In response to a question by Trustee Kirk Schueler about the project funding and contracting strategy, Sparks reminded trustees that, during its May 2019 meeting, the Board approved \$4.4M of the AB2 budget to construct the AB2 building pad and associated parking, landscaping, and geothermal field in the same contract with the Cascades Campus Site Reclamation project. Sparks spoke about the identified risks and proposed contingency, noting in particular the potential mass timber construction issues and the mitigation strategies in place to address that risk.

Thorne asked about the possible risk of OSU-Cascades being asked by the city to address additional offsite infrastructure needs, and Sparks said the campus had negotiated with the city of Bend for the duration of the OSU-Cascades Master Plan all offsite improvements that would have to be constructed to grow to a 5,000-student campus. As long as OSU-Cascades builds to that approved master plan, no additional infrastructure improvements would be required. In response to a question by Ray about what makes AB2 “prototypical” for meeting anticipated future educational and research needs, Sparks and Pitman described the emphasis on interactive work spaces; visible and configurable lab spaces; and integrated, multidisciplinary, and flexible learning spaces. In response to a question by Trustee Mike Bailey, Sparks said the building is expected to be completed in summer 2021 and operationalized by the following fall, noting that if construction were delayed, the scheduled hours of other buildings would have to be extended to meet programming needs. Thorne asked about the relationship between Central Oregon Community College and OSU-Cascades, and Ray spoke about the close working relationship.

Following discussion, a motion was made and seconded to approve advancing the OSU-Cascades Academic Building 2 project to the next phase of design development. The motion carried.

**b. Capital Project Stage Gate: Washington Way Improvements**

Bedient asked Paul Odenthal, senior associate vice president for administration, and Aaron Collett, an infrastructure project manager with Capital Planning and Development, to present this item. Odenthal said in October 2017, the university entered into a Memorandum of Agreement (MOA) with the city of Corvallis, agreeing to complete plans and apply for a permit for improvements of Washington Way by November 2019. The MOA satisfies deferred obligations to improve Washington Way that were a condition of building permits for the 2011

Student Legacy Park and the Advanced Wood Products Lab, both of which are located along Washington Way. He noted that Washington Way is an OSU-owned street that runs east-west through campus from 15<sup>th</sup> Street to 35<sup>th</sup> Street and that is located 15 feet north of the centerline of the Union Pacific Railroad (UPRR), which is operated by Portland and Western Railroad. The project includes some railroad related work addressing pedestrian safety, closure of crossings, associated utility protection, and establishment of appropriate easements. Odenthal added that the proposed road design would place Washington Way at a 25-foot offset from centerline of the railroad, with 5 feet of the roadway remaining within UPRR property and requiring an easement. The Washington Way Improvements project is funded by OSU revenue bonds and is estimated to cost \$24M, which includes a 10% design contingency on direct construction costs. Odenthal said it is the project team's goal to take all sensible cost saving measures to deliver a project that meets requirements and drives costs to or below \$22M. The project is expected to begin during the summer of 2020 and conclude in fall 2021. Odenthal spoke about the risks and proposed contingency, noting in particular the risk of actual conditions being different than expected and the risk of delay due to the process of coordinating and negotiating with the railroad for permits and new easements. Ray asked whether there were any specific concerns, and Odenthal said that there was none but that the review process was time-intensive. Schueler remarked on the total project budget and asked what accounted for the estimated \$24M cost. Collett said although the improvements would cover just under 1 mile of roadway, there are a number of uncertainties and complexities, particularly associated with working within the railroad's right-of-way and working around or relocating utilities, which increased the cost. In response to a question by Bailey, Odenthal confirmed that the project would extend previous improvements at Washington Way.

Following discussion, Schueler made a motion that the Finance & Administration Committee approve advancing the Washington Way Improvements project to the next phase of design development. He requested when the project returns to the committee at the next stage gate that staff provide a more detailed examination of the project cost. The motion was seconded. With no further discussion, the motion carried.

**c. Capital Project Stage Gate: Campus Operations Center**

Bedient asked Odenthal and Christina Vinson, a project manager with Capital Planning and Development, to present this item. Odenthal said the Campus Operations Center project creates a complex that will house University Facilities, Infrastructure, and Operations units in a single location. The new center replaces the current Facilities Services shops building south of the Kerr Administration Building with a new complex of shops buildings, equipment space, vehicle yards, parking, and associated improvements at the former OSU Foundation building site at 35<sup>th</sup> Street and Western Avenue. Odenthal described the identified risks and mitigation strategies, noting in particular the potential risk associated with the removal of an abandoned underground oil storage tank. He said the project is expected to cost \$26.5M and will be funded by OSU revenue bonds and state capital improvement and renewal funds. The project is scheduled for completion in the spring of 2021.

Trustee Rani Borkar asked about the drivers for the project. Odenthal said that in addition to removing an estimated \$10M in deferred maintenance, the project would consolidate dispersed University Facilities, Infrastructure, and Operations units in a single location. Additionally, demolishing the existing shops buildings on the corner of 15<sup>th</sup> Street and Washington Way clears space for the construction of an arts and education complex. Ray noted that the acquisition of a new president's residence presumed overflow parking at the proposed site of the Campus Operations Center, and he asked about plans to preserve that space. Odenthal said this was included in the plan, and Vinson added that approximately 60 to 100 spaces would be available. Trustee Khawater Hussein asked whether Community Hall would be affected by this project. Staff noted that plans for the arts and education complex extended to Community Hall, but that would be part of a separate project and would not involve the demolition of the historic building.

Following discussion, a motion was made and seconded to approve advancing the Campus Operations Center project to the next phase of design development.

**d. Capital Project Stage Gate: Burt Hall II Reconstruction**

Bedient asked Odenthal and Dean of the College of Earth, Ocean, and Atmospheric Sciences Roberta Marinelli to present this item. Marinelli reminded trustees that the Burt Hall II Reconstruction project repairs fire, smoke, and water damage that occurred because of a December 2018 fire. At the time of the fire, all Burt Hall residents were evacuated due both to smoke and flooding. The fire necessitated immediate relocation of 15 faculty offices, 13 faculty laboratories, and 14 graduate students. A number of pieces of equipment were destroyed and several offices supporting key college functions were flooded. Marinelli reported that five faculty and most of the support functions were able to be relocated to office space in other buildings and have since resumed functioning; however, ten of the impacted faculty and four major laboratories supporting groups of faculty within and outside the college have not been able to relocate or resume functioning. She described the impact this has had on undergraduate and graduate student learning and faculty research productivity, including working on existing and seeking new grants. Marinelli also described the immediate disruption to the career progression of graduate students and junior faculty, who rely heavily on the research facilities, and the longer-term potential for hindrance of the recruitment and retention of students and faculty. She added that, depending on the availability of funding, a goal of the project would be to rebuild facilities in a way that will make them more efficient and cost effective to operate in the future. Odenthal spoke to the urgency of the reconstruction project, noting that once design development is complete, the university is proposing to proceed to construction immediately, as provided for in the Emergency Construction provision of Section VI of the Board's Policy. He added that staff believes that utilizing the Emergency Construction provision in order to minimize disruption to critical teaching and research activities is an appropriate application of the provision. If approved, construction work would begin over the summer and would be scheduled for completion in the spring of 2020, with the president reporting the final project budget for approval at the October 2019 meeting. Malcom LeMay, director of operations in the College of Business, has been temporarily reassigned to serve as project manager. Odenthal described the key elements of the reconstruction, reporting that the project is expected to cost \$8.8M and will be funded by insurance payments. It is possible that insurance payments will not cover the entire expected cost of the project, in which case

scope reductions or alternate funding would be considered. He concluded by describing the identified risks and associated mitigation strategies.

Following the presentation, Bedient asked about the anticipated timing of the insurance payout. LeMay said approximately \$7M in advances had already been provided, with additional advances coming in as money is spent in order to maintain positive cash flow. Bedient and Borkar each remarked on the importance of the project both to address the disruption described by Marinelli and to enhance safety. In response to a question by Thorne about other potential sources of funding, Green spoke about the potential to use internal and state issued capital improvement and renewal funds. Ray noted and Odenthal emphasized that utilizing the Emergency Construction provision in order to begin construction of the summer would still allow for the opportunity to consider adjustments when the final budget is presented for approval in October. Hussein asked what was being done to support graduate students whose grant-funded work had been interrupted, and Marinelli said it had been a priority of the college to support such students using alternate sources of funding.

With no further discussion, a motion was made and seconded to approve advancing the Burt Hall II Reconstruction project to design development, recognizing that the university will proceed immediately to the construction phase under the emergency construction provision of the Board's policy, and that a final project budget will be presented at the next regularly scheduled Board meeting. The motion carried.

## **5. Education/Discussion Items**

### **a. FY2020 Operating Budget Update**

Bedient introduced this item by reminding trustees that the FY2020 budget was approved by the full Board at its May meeting. At the time, there was still some uncertainty about funding levels from the state and the university's plan to manage a projected budget shortfall of approximately \$18M. She then asked Green and Associate Vice President of Budget and Resource Planning Sherm Bloomer to provide an update on the FY2020 operating budget given the final budget approved by the Legislature. Green said the final budget approved by the Legislature provided a \$100M increase to the Public University Support Fund (PUSF) for the seven public Oregon universities. Bloomer noted that the operating budget approved in May by the Board assumed there would be a \$40M biennial increase to the PUSF. This level of funding would have required \$18M in reductions in Corvallis E&G spending, slowed investments in new programs at OSU-Cascades, and reductions in Statewide Public Services (SWPS) operations. The university had planned to reduce central investments, services and supplies spending, and personnel. The approved final budget provided an increase to the PUSF as well as a 5.5% biennial increase to the Engineering Technology Support Fund and other state programs, an 11.5% increase for the Extension Service, and an 11.7% operating increase for the Forest Research Laboratory and the Agricultural Experiment Station. Bloomer said that the funding at this level provides the SWPS the ability to retain current services and replace some of the programs reduced during the current biennium, provides an additional \$480,000 to OSU-Cascades to support campus development, and provides an increase of approximately \$9M to the Corvallis E&G budget. He then described the proposed plan for the additional \$9M, which reflects efforts to make some essential investments while trying to moderate some of the

reductions, consistent with the Board's discussion in May. Bloomer noted that while the additional funding from the state helps, it does not fill the entire expense gap.

During the discussion, Bedient asked when staff would have information about fall enrollment. Bloomer said projections would be refined by mid-August. In response to a question by Thorne about leadership for enrollment management, Ray and Provost Ed Feser spoke about Jon Boeckenstedt, the newly appointed vice provost for enrollment management, noting that he is a nationally recognized leader in the field. Feser added that the university had begun doing more to enhance efforts to increase the number of admitted individuals who matriculate as students. Because of the admissions cycle, the results of these and other efforts led by Boeckenstedt would be realized in fall 2021. Bailey remarked on the limited ability of the university to continue making reductions in E&G spending, and Feser emphasized the importance of continuing to pursue initiatives to boost enrollment and drive revenue while considering the potential that further reductions to costs may be required. He said that academic leaders are attuned to revenue side actions needed to address rising costs and administrative leaders are cognizant of the need to restrain administrative spending and use resources more efficiently. Green added that administrative leaders are focused on ways to improve the efficiency of processes and systems in order to reduce costs. Ray noted that a budget note approved alongside House Bill 5024, the budget bill for the HECC, requires universities to collectively report in February 2020 to the Joint Committee on Ways and Means the cost management measures implemented during FY2020. Bedient asked about tuition increases across Oregon's public universities, and staff said they ranged from 2.33% at Western Oregon University to 9.9% at Southern Oregon University, with the majority just below 5%. Hussein asked what was being done to continue to support students amidst reductions and slowed investments, citing specific challenges for students in colleges operating at a deficit. Feser described efforts focused on student success and the emphasis in the budget model on the distribution of resources to support student degree completion. Ray added that, particularly as the size and scope of some programs may shift, it is important to maintain the university's commitment to students' completion of the program in which they enrolled. In response to a question by Schueler, Feser said the \$4.5M enrollment reserve would serve as a cushion for a fall of approximately two to three percentage points below current projections.

**b. Athletics Update**

Bedient asked Vice President and Director of Intercollegiate Athletics Scott Barnes to present this item. Barnes provided updates on the Pac-12, beginning with the conference's exploration of potential strategic media partners to both provide an infusion of capital and help provide leverage in negotiating the next media deal when the current deals expire in 2024. Barnes spoke about the conference's brand, which has recently been the subject of criticism. He said the criticism had served as a catalyst for change, resulting in a renewed focus on a number of important issues in intercollegiate athletics and the re-engagement of practitioners. He also described the Pac-12's strategic planning initiatives in football and men's basketball. Next, Barnes provided an update on the Athletics 10-year facilities master plan that prioritizes facility upgrades that benefit student-

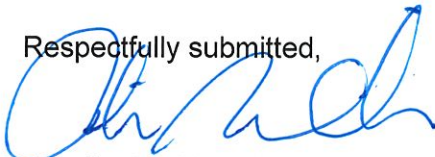
athletes, staff, donors, and fans. He described the broad engagement of partners in development of the plan and highlighted progress made to date. Barnes also spoke about the opportunity to complete Reser Stadium, which is currently being considered through a feasibility study. He said the guiding principles for the project would include enhancing the fan experience and recruiting atmosphere, integrating vibrant student-centered programming on the west side of the stadium, enhancing annual revenue streams, and promoting community and ease of stadium access. Ray added that completing Reser Stadium was an opportunity to make the stadium available for multipurpose use and attractive to all students, staff, and faculty.

During the discussion, Thorne asked about the relationship between challenges and opportunities at the conference level and the strategic efforts within the Department of Intercollegiate Athletics at OSU. Barnes noted that the Pac-12 uses an equal share model for revenue distribution, which encourages each institution to consider what needs to be done locally to remain relevant to the conference, and he described the strategic efforts underway at OSU. In response to a question by Hussein about budget transparency, Barnes said the department's budget was publically available. Bedient added that the committee will hear a full report about the Athletics Financial Sustainability Plan at the October meeting.

## 6. Adjournment

With no further business proposed, Chair Bedient adjourned the meeting at 10:57 a.m.

Respectfully submitted,



Jennifer M. Almquist  
Assistant Board Secretary

*Non-substantive updates made on October 21, 2019.*