



MINUTES

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

Other Trustees Present: Mike Bailey, Darry Callahan, Paul Kelly, Julie Manning, Preston Pulliams, and Ed Ray (*ex officio*)

University Staff Present: Jennifer Almquist, Dan Bartholomae, Sherm Bloomer, Debbie Colbert, Ed Feser, Becca Gose, Burke Hales, Heather Hesano, Jan Lewis, Paul Odenthal, Edgar Rodriguez, Heidi Sann, Lauren Skousen, and Irem Tumer

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

Committee Chair Patty Bedient called the meeting to order at 1:01 p.m., asked the board secretary to call the roll, and noted a quorum. Bedient then made a land acknowledgement statement.

2. Written Report Submitted to Committee

a. Research Space Needs, including risk management report

Bedient noted that a written risk management report was submitted to the committee.

3. 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 efforts to address the financial impacts of COVID-19 on spring term revenues, noting that because of the efforts by faculty to move quickly to remote teaching during spring term, enrollments were not significantly impacted. He said the university had estimated gross revenue losses during spring term of approximately \$41.2M, primarily as a result of impacts to University Housing and Dining Services and Athletics. Green reported that cost reduction strategies such as restrictions on hiring and travel and declines in services and supplies spending are anticipated to reduce the net loss to approximately \$25M. Trustee Khawater Hussein asked about the decision to maintain the same tuition rate for non-resident undergraduate students, despite the transition to the remote delivery of classes, and asked whether there had been consideration of aligning non-resident tuition with the tuition rate charged through Ecampus. Green said this would continue to be an important consideration should remote modalities continue to be emphasized in future terms. Provost and Executive Vice President Ed Feser described the differences in delivery and pricing structures between remote learning and fully online learning delivered through Ecampus, noting that a sudden redistribution of enrollment from campus to Ecampus could present capacity issues. He added that the tuition pricing model across the country could change significantly depending on how teaching and learning are impacted by the pandemic. In response to a follow-on question from Hussein about the capacity of Ecampus, Feser said that there may be future expansion of the Ecampus portfolio; however, the platform does not have

unlimited capacity and would need to undergo intentional restructuring to accommodate increased enrollment.

Green next summarized other projects underway to realize cost savings in administrative functions and provided updates on long-term efficiency projects, including those related to human resources and business operations. Green provided an update on the university's law enforcement transition and announced that Edgar Rodriguez had been hired as interim associate vice president for public safety and chief of police. He introduced Rodriguez, who said that he looked forward to assisting the university in the transition.

4. Consent Agenda

a. Minutes of the April 3, 2020 Finance & Administration Committee Meeting

A motion was made and seconded to approve the minutes of the April 3, 2020, Finance & Administration Committee Meeting. The motion carried.

5. Action Items

a. FY2021 Operating Budget

Bedient asked Green, Feser, and Associate Vice President for Budget and Fiscal Planning Sherm Bloomer to present this item. Green began by acknowledging the significant uncertainty that continued to inform the budget planning process. He said the university had been planning for two scenarios, one that assumes that modified campus operations will resume in fall 2020 and a second scenario that assumes in-person operations on campus would not be significantly underway until January 2021. Feser added that staff are thinking about budget planning in the context of a three-year time frame with a goal of preserving the capacity to be flexible and make adjustments depending on how FY2021 develops. Bloomer began by providing context for the budget and noting particular challenges, including reductions in state funding and uncertainty in the public health environment. He then summarized the two scenarios and cases within each scenario that considered different assumptions about state funding, enrollment, and other revenue changes. Bloomer said that current information on reopening plans, state funding, and enrollment trends suggests that scenario 1, case 2 is a reasonable target for planning budgets for FY2021. This assumes a modified return in the fall, some decreases in enrollment, and an 18% reduction in state funding. Bloomer noted that leaders had been asked to engage in similar scenario planning at the unit level. He then described the challenges and uncertainties across all fund types and spoke about the balancing strategy and the multiple actions being considered across funds. Bloomer concluded by stating that there would continue to be revisions to the budget projections as the university learns more about enrollment trends.

Following the presentation, Trustee Kirk Schueler asked how the projected state revenue shortfall was likely to be distributed. Bloomer noted that being in the second year of the biennium meant that the expected shortfall would be concentrated in the second year of the budget cycle. He said that there was not information about whether higher education would experience a greater percentage of the reduction. President Ed Ray added that Governor Brown could take action on across-the-board reductions but would need to convene a special session to consider alternative plans to rebalance the budget. Trustee Mike Thorne noted that economic recovery was likely to span multiple biennia, and Green acknowledged the importance of taking a longer-term perspective on

budget planning. In response to a question by Trustee Darry Callahan, Bloomer said the gaps between revenues and expenditures noted in the summary of scenarios and cases were inclusive of the previously estimated gap in the FY2021 budget. In response to a question by Trustee Stephanie Smith about budgeted transfers, Bloomer noted that many of the transfer out were for plant projects and that reducing or delaying those projects could become a strategy for managing the overall budget shortfall. In response to a question by Trustee Mike Bailey, Bloomer described options for implementation of a temporary salary reduction program, noting that the specific mechanisms are under discussion and would vary depending on the circumstances. Feser added that initial feedback suggested general support for a salary reduction program as opposed to lay-offs, and Bailey concurred that he had also heard support as long as there is a clearly demonstrated need. Feser referenced negotiations with United Academics of Oregon State University on the parameters of a salary reduction program. Green added that the level of uncertainty has been particularly challenging for self-support funded units and said these units may have to consider personnel actions beyond salary reductions.

In response to a question by Hussein about plans to manage course enrollment, Feser described the approach colleges are taking to consider the best way to deliver courses across a mix of modalities to achieve a number objectives. In a follow-on question, Hussein asked about any efforts to support students who may not return to Corvallis during the fall but who would then need to find housing in the area in winter or spring. Feser acknowledged the uncertainty many students are facing and said staff would consider ways to support students arriving to Corvallis mid-year. Trustee Julia Brim-Edwards asked about costs associated with implementing additional health and safety measures. Bloomer noted some of the direct costs, and Feser added that there are a number of indirect costs, such as potential reductions in tuition revenue that may result from a low density model of course delivery.

Following discussion, a motion was made and seconded to recommend to the Board approval of the preliminary operating budget for FY2021 as presented in Tables 2 through 6. The motion carried. Following the vote, Ray observed that being on a quarter system with a new academic year starting in September would provide an opportunity to observe and learn from colleges and universities that begin their new academic year in August.

b. 2021-23 Biennial Funding Request to HECC: Operating

Bedient asked Bloomer and Jan Lewis, the university's budget liaison with the Higher Education Coordinating Commission (HECC) and other public entities, to present this item. Bloomer reminded trustees that the Board is asked every two years to endorse the consolidated funding request that Oregon's public universities jointly submit to the HECC as part of the state's budget process. He reviewed the categories included in the appropriations to the universities: the Public University Support Fund (PUSF), state programs, the Statewide Public Services, Outdoor School, and Sport Lottery. Bloomer noted that the formula used by the state to calculate Continuing Service Level (CSL) regularly underestimates the actual costs universities encounter. He said that for this reason, the universities include a calculation of the full base costs necessary to maintain the existing level of funding as a way to communicate more accurately inflationary costs. Lewis added that the goal is to provide greater clarity in how

the university is calculating cost increases. Bloomer said that the HECC initially asked universities to respond to funding level scenarios ranging from 10% decreases in funding to 20% increases in funding. As it became clear that circumstances were changing drastically due to the pandemic, the HECC revised the requested scenarios they asked universities to consider. Bloomer then summarized the funding levels at each scenario. He noted that the consolidated funding request is for \$975M, which includes \$138M beyond the full base costs calculated by the universities. Lewis added that the request emphasizes the importance of higher education in the state's economic recovery. Bloomer said that the HECC's Agency Request Budget would be submitted to Governor Brown by the end of August.

Following the presentation, Bedient reiterated the importance of emphasizing the value of higher education and its importance to the state's economy. Thorne reflected on the need to consider how to advocate for investments in higher education, particularly in light of diminishing general fund resources and competing needs. Bloomer noted as an example the long-term economic return to the state from investments in higher education. Lewis said she anticipated that the HECC would be unlikely to recommend anything beyond the request for base funding. Bedient suggested that it would be important to take a critical, comprehensive look at higher education in Oregon, and Trustee Paul Kelly concurred.

Following discussion, a motion was made and seconded to recommend to the Board endorsement of the public universities' 2021-23 Consolidated Funding Request to the Higher Education Coordinating Commission, which includes a request for base funding for all appropriation categories and an additional increase for the Public University Support Fund. The motion carried.

c. Collateralization of Public Funds for Change in Banking Services

Bedient asked Associate Vice President for Finance and Controller Heidi Sann and Director of Treasury Heather Hesano to present this item. Sann said that in addition to its banking agreement with the Oregon State Treasury, the university had begun an independent relationship with JPMorgan Chase Bank as an additional service provider for payment and deposit services. Hesano said the proposed amendments define the university's requirements for the collateralization of public funds, noting that the proposed amendments reflect the staff recommendation of a minimum 50% collateral margin.

With no further discussion, a motion was made and seconded to recommend to the Board approval of the amendments to the Liquidity Management Policy as provided in Attachment 1. The motion carried.

d. Capital Project Change to Approved Budget: Finley Hall

Bedient asked Sann and Senior Associate Vice President for Administration Paul Odenthal to introduce this item. Odenthal reminded trustees that the Board approved in July 2018 a capital project budget of \$10.5M for the Finley Hall housing renovation project. Sann noted that when the project was approved, the funding source was University Housing and Dining Services cash reserves. She said that because of significant losses in spring term as a result of the COVID-19 pandemic, the university is proposing to change the source to OSU-paid bonds. In response to a question from Smith, Sann confirmed that the source would be existing bond proceeds.

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With no further discussion, a motion was made and seconded to recommend to the Board approval of the budget change for the Finley Hall project. The motion carried.

e. **Capital Project Stage Gate II: PacWave**

Bedient asked Odenthal and Burke Hales, professor in the College of Earth, Ocean, and Atmospheric Sciences, to introduce this item. Odenthal reported that the design development phase is complete, and the university is now seeking to advance the project to construction phase. Hales provided an update on the project, noting that the university received official approval from the U.S. Department of Energy to begin construction activities and authority to spend construction funds. He added that an additional \$26M in funding was approved in the recently passed federal budget. Lastly, Hales noted that the Federal Energy Regulatory Commission issued its final Environmental Assessment, largely concurring with the recommendations made in the Final License Application submitted by the university.

Following the report, Bedient asked about the total project budget. Hales said that the project has raised over \$9M in matching funds from the state of Oregon, gifts, and grants. He added that fundraising for the remaining required match will be aided by the recent approvals he had noted previously. Thorne asked about the risk of proceeding with initial operations prior to securing Department of Energy funding, and Hales said the cost to the university for maintenance would be minimal and staff associated with the project could be reassigned. Schueler asked about the disposition of ownership under different scenarios and the risk to the university if operating funding is not secured, particularly given investments into the property. Hales described the mitigation strategies in place, and Green said staff would follow up with additional information about the other strategies that can help protect the university's investment into the property and the project.

A motion was made and seconded to recommend to the Board approval of a total capital project budget of \$73,500,000 for the PacWave Energy Test Facility project and advancing of the project to the final construction phase. The motion carried.

f. **Capital Project Stage Gate II: Gymnastics Practice Facility**

Bedient asked Odenthal and Dan Bartholomae, executive deputy athletic director, to introduce this item. Odenthal noted that this project was previously approved to advance to the first stage in the capital projects process and includes the renovation of a recently purchased building on Research Way to serve as the replacement for the Gladys Valley Gymnastics Center. Bartholomae described how the project advances the strategic goals of Athletics. He noted that while the program is competitive, the facilities are not consistent with peer facilities. Bartholomae also spoke about the training improvements that will be associated with the renovation. Odenthal added that the new, expanded facility supports Title IX initiatives to provide equitable facilities for women's and men's sports. Odenthal also spoke to risks identified for the project and the associated mitigation strategies. He noted the potential risks associated with the COVID-19 pandemic and said the university is working with contractors on appropriate health and safety practices during construction and would be as flexible as possible to accommodate any supply chain disruptions.


Following the report, Bedient asked about the status of fundraising efforts. Bartholomae said \$1.2M had been raised and staff were confident in conversations underway to secure the remaining amount.

A motion was made and seconded to recommend to the Board approval of a total capital project budget of \$12,150,000 for the Gymnastics Practice Facility project and advancing of the project to construction phase.

6. Adjournment

With no further business proposed, Chair Bedient adjourned the meeting at 3:30 p.m.

Respectfully submitted,



Jennifer M. Almquist
Assistant Board Secretary