

Fiscal Year 2022-2032 Ten-year Business Forecast

Table of Contents

| | |
|---|---------------------------|
| Background | <u>2</u> |
| Fiscal Year (FY) 2021 Financial Statement and Financial Metrics Update | <u>3</u> |
| Overview | <u>4</u> |
| Analysis of Financial Metrics | <u>4</u> |
| Conclusion | <u>6</u> |
| Major Components of the Business Forecast | <u>6</u> |
| Purpose | <u>6</u> |
| Ten-year forecast and Strategic Plan 4.0 | <u>6</u> |
| Strategy and Approach | <u>7</u> |
| Changes Since January 2021 | <u>8</u> |
| Principal Conclusions and Areas of Concern | <u>8</u> |
| Summary and Enrollment Strategy | <u>8</u> |
| Education and General Operating and Capital | <u>10</u> |
| Self-support Funds Operating and Capital | <u>11</u> |
| Restricted Funds Operating and Capital | <u>13</u> |
| Financial Statement Metric Projections | <u>14</u> |
| Next Steps | <u>14</u> |
| Updated Ten-Year Capital Forecast | <u>15</u> |
| Background | <u>15</u> |
| Capital Project Prioritization Criteria | <u>15</u> |
| Capital Forecast Details for Corvallis and Newport | <u>16</u> |
| Capital Forecast Details for OSU-Cascades | <u>20</u> |
| Recommendation | <u>21</u> |
| Attachment 1: Figures and Tables | <u>22</u> |
| Attachment 2: Major Assumptions | <u>39</u> |

BACKGROUND

OSU's Ten-Year Business Forecast is intended to identify long-term trends in the university's finances that support or jeopardize achievement of the goals of the university's strategic plan. The forecast provides a look far enough ahead to take corrective action or to plan for additional investments, and to carefully consider the long-term impacts of current programmatic and financial decisions. The forecast considers enrollment projections; tuition rates and institutional financial aid; projections of state funding; expense projections for inflation, benefits, salaries, and costs of enrollment growth; and new construction, renovation, and repairs along with associated operating and debt costs.

The forecast is largely dependent on Corvallis Education and General (E&G) operations, as these have the largest impact on the university's financial position and can change the most with fluctuations in projections of tuition and enrollment. However, projections for operating and capital impacts on all funds are included in the assessment of the long-term financial metrics. These include OSU-Cascades E&G, self-support operations for Corvallis and OSU-Cascades, restricted funds, and Statewide Public Services funds.

The forecast was challenging this year as the methodology depends heavily on using recent trends in many factors like revenues, expenses, enrollment, and so on. The pandemic, of course, resulted in a significant disruption in specific trends and the updated forecast uses estimates of pre-pandemic trends and an assessment of trajectories towards those trends in a number of places. The focus of this forecast is assessing OSU's path forward, informed by the significant changes caused by the pandemic. This version of the forecast has not included major "upside" or "downside" scenarios given the need to assess the most likely near-term trajectories.

The following points summarize the principal conclusions from the historical review and forecast covering fiscal years (FY) 2022 through 2032:

- The strategies adopted to manage the financial impacts of the pandemic, including temporary salary reductions, hiring freezes, and reduced services and supplies spending, coupled with the three federal relief packages left the Education and General (E&G), self-support, and restricted funds in a better position than expected in January 2021.
- The enrollment assumptions of steady growth in Ecampus and OSU-Cascades enrollments, increased enrollment of domestic non-resident undergraduates, relatively flat graduate and professional enrollments, and recovery of international undergraduate enrollments (but only to FY21 levels) yields good financial results for E&G and OSU's overall financial position.
- The projections showed relatively constant results in restricted funds and consistent growth reflecting the continued success of faculty in securing research grants and large, multi-year, multi-institution research grants.
- Self-support operations project a return to positive net working capital balances by FY25 but do not accumulate significant positive net working capital. This reflects the need to address pandemic-related revenue losses and ongoing capital repair and renewal needs.
- The impact of the pandemic on self-support revenues was more severe than anticipated, but it had a lesser impact on fund balances because of federal relief funding and very thoughtful expense reductions in those units.

- In FY2021, three of the four key metrics were within the Board established ranges. The EBIDA margin remains below the Board’s minimum preferred range but is similar to the previous four years.
- The EBIDA margin declines through FY23 and then grows as international enrollments recover and provide higher margins than growth in Ecampus and domestic non-resident students.
- The Total Cash and Investments to Total Adjusted Debt metric decreases due to reduced cash and investment balances from capital renewal investments and increases in forecasted adjusted net pension liability.
- EBIDA margin grows from net increases in operating revenues.
- The annual Debt Service Coverage ratio increases, with decreases in some years as current debt is refinanced or comes due.
- The Total Cash and Investments to Operating Expenses metric peaks in FY22 and then declines steadily as operating expenses grow and the capital renewal plan is implemented.
- The financial metric ratio projections show that a commitment to funding capital renewal and pursuing the current enrollment strategy maintain a healthy financial position for the university even with the impacts of the pandemic on revenues.
- The capital forecast is updated to reflect recommendations from the Infrastructure Working Group and current planning for financing and work schedules and includes substantial commitments to research infrastructure and facilities renewal including the Collaborative Innovation Complex, a Student Success Center and Academic Building 3 at OSU-Cascades, Cordley Hall east, Dairy Center renewal, Gilkey Hall renovation, and improvements in facilities in Athletics and University Housing and Dining.

FISCAL YEAR (FY) 2021 FINANCIAL STATEMENT AND FINANCIAL METRICS UPDATE

The previous year’s (FY2021) audited financial statements provide the baseline for the Fiscal Year 2022- 2032 Ten-Year Business Forecast. The OSU Annual Financial Report, including the audited financial statements and management’s discussion and analysis, was presented to the Executive & Audit and Finance & Administration Committees on January 28, 2022. On October 7, 2021, the Finance & Administration Committee adopted the financial metrics and operating ranges, as shown in Figure 1, to monitor the financial health of the university for historical and forecast analysis and when the use of debt capacity is assessed or considered.

Table 1. Financial Metrics Approved in October 2021.

| Ratio | Operating Ranges | Purpose |
|-----------------------|------------------|--|
| Operating Performance | | |
| Fund Balance | 10.0% - 20.0% | Measures the available operating balance relative to the size of the Education and General operations and reported in the quarterly management reports |

| | | |
|--|-------------------|---|
| EBIDA (Earnings before Interest, Depreciation and Amortization) Margin | 8.0% - 18.0% | Measures the ability to repay debt from operating revenue as well as invest in academic programs and facilities to advance strategic objectives |
| Reserve Levels and Debt Capacity | | |
| Total Cash and Investments to Operating Expenses | 0.75 – 1.25 times | Measures level of available reserves to meet the university’s operating expenditures |
| Total Cash and Investments to Adjusted Debt | 0.5 – 2.0 times | Measures the ability to repay debt and pension obligation with available financial resources |
| Debt Affordability | | |
| Debt Service Coverage | 1.5 - 3.5 times | Measures the sufficiency of operations on a cash flow basis to cover debt service |

Using these metrics, this update provides information on the financial health of the university as of June 30, 2021, including comparison of key financial metrics over time.

OVERVIEW

In March 2021, Moody’s Investors Service changed the outlook for the U.S. higher education sector to stable from negative, and in December 2021¹, Moody’s re-affirmed the stable outlook for the sector for 2022. The rating agency noted the return of students to campus in Fall 2021 as the driver for a recovery and growth of tuition revenue and auxiliary revenue. Strong investment returns have bolstered endowments and liquidity, and will likely spur philanthropy. Moreover, for public universities, the strong asset growth of pension plans reduced unfunded pension liabilities. State revenues remained strong enough to maintain or enhance public university funding. Moody’s sees big challenges in rising operating expenses due to labor shortages and competition for talent. Inflation of various cost factors will lead to rising operating expenses and capital cost. Additionally, the rating agency expects rising costs of “supporting students academically and financially.” The growing use of technology for virtual learning and general business activities increase exposure for the sector to cyber risk “heightening the chance of a ransomware attack or data breach.” In August 2021, Moody’s updated its rating methodology for universities and college, and affirmed OSU’s Aa3 rating and stable rating outlook. Moody’s last published report for OSU was September 2020.²

ANALYSIS OF SPECIFIC FINANCIAL METRICS

Figure 1 in Attachment 1 summarizes trends in four of the metrics tracking the university’s financial health. Observing the four financial metrics together over time provides a comprehensive view of OSU’s financial health. The specific financial metrics are summarized as follows:

¹ Moody’s Investors Service, December 7, 2021, “[Higher education – US: 2022 outlook stable as emergence from remote learning supports revenue growth.](#)”

² Moody’s Investors Service, September 28, 2020, “[Oregon State University – Update to credit analysis](#)”

Operating Performance

EBIDA (Earnings before Interest, Depreciation and Amortization) Margin - EBIDA reflects the available cash flows generated by the university after paying operating expenses. These cash flows are available to pay debt service, reinvest in capital assets (deferred maintenance), to invest in new capital projects and strategic initiatives, and to set aside reserves for uncertain events and future strategic opportunities. If cash flows and other available revenues like state capital appropriations are insufficient to meet cash needs, the university has to draw on reserves.

Figure 1 shows the five-year historical trend for EBIDA margin. The university's EBIDA margin is 5.8% for FY21, which is not within the Board's established range of 8.0% to 18.0%.

Net tuition and fees, auxiliary revenues, and sales and services of departments are generally driven by fee levels and enrollment. Tuition and fee rates (EG fund revenues) have remained relatively stable for the past five years through slightly increasing enrollment and only modest increases in tuition and fees.

Generally, auxiliary revenues (self-support fund revenues) follow similar trends to tuition and fees, however, in FY20 and FY21, auxiliary revenues dropped \$30.3M and \$48.4M, respectively, due to the impact of the global pandemic. Grants and contracts (restricted fund revenues) are driven by researchers, research facilities, and availability of grants to support the research conducted at OSU and have steadily increased over the past five years. State operating appropriations are decided by the legislature and have also increased slightly over the past five years. Endowment spending is driven by performance of the endowment, donor behavior, and distribution policy. For additional visual context, Figure 4 in Attachment 1 shows the relative value of revenues the university manages by major operating funds.

Reserve Levels and Debt Capacity

Cash and Investments to Operating Expenses – Measures the level of available financial resources to meet the university's operating expenditures. Figure 1 shows the five-year historical trend of total cash and investments available to meet operating expenditures. At the end of FY21, the university could meet annual operating expenditures 1.1 times, which is within the Board's established range of 0.75 to 1.25 times.

The Cash and Investment to Operating Expense ratio improves if total cash and investments increase and/or operating expenses decrease. In FY21, total cash and investments increased by \$284.5M, driven by the Foundation's cash and investment increase of \$234.5M at the same time the university decreased operating expense by \$6.8M.

Cash and Investments to Adjusted Debt – Measures ability to repay debt and pension obligation with available financial resources. Figure 1 shows the five-year historical trend of total cash and investments available to repay debt and pension obligations. At the end of FY21, the university could repay debt and pension obligations 0.6 times, which is within the Board's established range of 0.5 to 2.0 times.

The Cash and Investment to Adjusted Debt ratio improves if total cash and investments increase and/or adjusted debt decreases. Adjusted debt includes the university's general revenue bonds, notes, university paid state issued debt, debt-like obligations and net

pension liability as calculated by Moody's. The ratio is impacted as debt is paid off, new debt is issued, and with changes in the net pension liability. This ratio remained relatively constant.

Debt Affordability

Debt Service Coverage –Measures the sufficiency of operations on a cash flow basis to cover debt service. Figure 1 shows the five-year historical trend for annual debt service coverage. The debt service coverage ratio is 1.6 for FY21 which is within the Board's established range of 1.5 to 3.5 times.

The debt service coverage ratio increases as EBIDA increases and/or debt service decreases. In FY21 EBIDA decreased \$8.8M.

CONCLUSION

Currently, OSU is within the target ranges for Total Cash and Investments to Operating Expenses, Total Cash and Investments to Adjusted Debt, and the Debt Service Coverage ratios. These financial metrics indicate continued balance sheet strength. OSU is not within the range for EBIDA. Land-grant research-intensive universities generally spend more of their revenues for operations and hold weaker reserves. Historically, OSU performs lower in comparison to our peers and EBIDA is expected to continue to be a challenging metric. OSU may need to examine the fund balance upper limits if the university wants to build cash reserves to meet the minimum threshold for the EBIDA metric.

MAJOR COMPONENTS OF THE BUSINESS FORECAST

PURPOSE

The Ten-Year Business Forecast provides a long-term view of the aggregate impact of near-term operating and capital decisions made in support of the university's strategic plan. The forecast considers the influence of external factors such as enrollment demand, Oregon's economic outlook, compensation costs, projected results of strategic actions driven by SP4.0 and the substantial impacts of the pandemic on operations in FY20, FY21 and FY22. The forecast helps to identify areas of concern and opportunities associated with the university's decisions and external conditions early enough to take action to maintain and improve the university's financial strength. The principal goal of this update is to consider the impacts of the pandemic on the forecast and to assess actions that may be necessary to address them.

TEN-YEAR FORECAST AND STRATEGIC PLAN 4.0

The pandemic has had significant impact on the university's students, faculty, and staff, and on revenues and expenses. Since March 2020, OSU managed, with an emphasis on maintaining programs and employees to the greatest extent possible, to continue to make progress on actions to advance Strategic Plan 4.0 (SP4.0). SP4.0 continues to guide decisions and remains the foundation of the Ten-Year Forecast.

The Ten-Year Business Forecast takes an institutional-level view of operating and capital needs and the expected trajectories of revenues and expenses (salary growth, capital costs, staffing

growth for enrollment, expected benefit increases, potential new programs, etc.). The twenty actions in the Strategic Plan are being advanced by tactics that require specific decisions at the unit level (which interdisciplinary degree programs to add, which faculty to hire, etc.). Those specific actions aren't all known now but are represented in the forecast by planning for certain categories of expenditures or revenues and in the assumptions used in the base case and the various initiatives. The assumptions in the forecast, including the capital forecast, derive from the goals and actions identified in the Strategic Plan.

Table 2 in Attachment 1 summarizes the relationship between the twenty actions to advance the four major goals in SP4.0 and elements of the ten-year forecast.

STRATEGY AND APPROACH

The forecast uses institutional level projections of revenues and expenditures across all funds. There is a particular focus on Corvallis E&G operations since those make up a large share of the university's work and much of the activity in the self-support funds depend on the level of activity in E&G operations.

While the pandemic has affected the immediate financial circumstances it has not changed the fundamental mission of the university or the financial strategies for the long-term forecast. The forecast begins from the FY21 audited financial statements and is built using an enrollment forecast, trending for total revenues and expenses from FY22 out through FY32, and the impact of commitments to capital and other long-term projects. The business forecast includes the detailed capital forecast approved by the president, based on recommendations from the Infrastructure Working Group (which is discussed in detail later in this document).

The assumptions in this version of the forecast are detailed in Attachment 2 for reference. The university's projection software (Synario) integrates financial information across the three major operating funds and the major elements of the financial statements. This version is updated to include the FY21 audited financial results, the changes noted in the next section, and projected outcomes for FY22, FY23, and FY24 (for some funds).

Earlier versions of the forecast have included various revenue or expense initiatives. These have included modeling strategies for increased transfer enrollment, growth in non-resident undergraduates, and growth in Ecampus among others. Many of those initiatives have been implemented or modified (some in response to the pandemic) and are incorporated into the current version of the enrollment forecast.

The forecast has, in some versions, also included "upside" and "downside" scenarios, modeling more optimistic scenarios or sudden stressors like a downturn in state funding or sudden declines in international enrollment. The pandemic impacts on OSU's finances were, in fact, similar to some of those downside scenarios. It produced significant discontinuities in many of the financial trends that have been part of modeling the Ten-Year Business Forecast. The focus in this version of the forecast is on assessing post-pandemic trends and assessing what the trajectories of major operating funds are likely to be. It does not include upside or downside scenarios (given we are emerging from a major downside event) but has tried to establish what a reasonable path forward looks like.

The discontinuities in the last two years have required some adjustments to the current year, FY22 and FY24 for some funds. Projected results are not normally hard-coded into the model,

but are derived from the historical trends and ratios the forecast is built on. However, because FY21 and FY22 are so anomalous in financial results and trends, the model was set to include expected results in FY22 and adjustments to revenues and/or expenses in some cases for FY23 and FY24. With those changes, the model then used Synario's standard methodology to project financial results out to FY32, including calculation of the principal financial metrics.

CHANGES SINCE JANUARY 2021

Major changes in the forecast from the January 2021 version include:

- Added actual results for FY21 including the substantial self-support unit losses from the pandemic and the impact of the first two tranches of federal relief funding (the third tranche of \$22M for institutional support is being drawn down and distributed this year).
- Adjusted trends and drivers to recognize the financial disruption created by the impacts of the pandemic to reflect likely post-pandemic recovery trends.
- Included current projections for FY22 based on Q2 for all funds.
- Included commitments to increasing institutional financial aid to levels competitive with peers and to improve enrollment of Pell-eligible Oregonians and domestic non-resident students.
- Updated enrollment models to reflect the shifts caused by the pandemic and revised enrollment strategies.
- Updated the capital forecast to reflect use of the \$300M bond sale and other funds as detailed later in the docket.

Updated benefit rates to reflect revised rates published by the PERS Board and the impact of OSU's side account contribution with the state (including the state match funds).

PRINCIPAL CONCLUSIONS AND AREAS OF CONCERN

Summary and Enrollment Strategy

The most critical part of the business forecast is the enrollment plan underlying projections for Education and General funds. Enrollment provides the majority of E&G revenues for Corvallis and OSU-Cascades and brings the students that maintain many of the self-support operations. OSU's E&G operations are very dependent on tuition revenues and those revenues support services, operations, and faculty time sustaining not only the educational mission but also the university's work in scholarship and engagement.

Figures 2 and 3 in Attachment 1 show the enrollment assumptions underlying this version of the business forecast. Some details are provided in Attachment 2. The pandemic changed some important things about OSU's enrollment mix. Overall enrollments in Corvallis declined significantly (Figure 2), while Ecampus enrollment showed tremendous growth in FY21 and FY22 (Figure 2, top). Unlike most previous recessions, graduate enrollments were flat or down slightly in many programs. Finally, international enrollments, particularly for undergraduates, declined by one-third from FY19 (Figure 3). The pandemic also exacerbated a long-term decline in resident Oregon undergraduates with the highest financial need.

OSU had already been considering a change to an institutional financial aid model that focused on net revenue (gross tuition less institutionally budgeted financial aid) instead of a fixed, budgeted financial aid pool. The university implemented that strategy in FY21 with two goals.

The first was to increase aid packages to Oregon residents with high financial need to restore OSU's share of those students graduating from Oregon high schools. The second was to fill unused educational capacity and to create demand from domestic, non-resident undergraduates by rejoining the Western Undergraduate Exchange. This is a coalition of 16 western states and territories which discounts non-resident tuition to 150% of resident tuition for students who qualify for the program. This strategy yielded a large class of incoming domestic non-residents students in fall 2021. Similar success in the next three terms will significantly offset the loss of international students (Figure 3).

The growth of the Ecampus proportion of enrollment (where students are typically part time) and the effective exchange of domestic non-resident undergraduates (with significant tuition discounts) for international undergraduates (who largely paid full tuition) has significant impacts on the forecast. Both changes mean that the net tuition revenue per student headcount is declining. Revenue growth does not proceed at the same rate as headcount enrollment growth. However, the near-term growth in domestic non-residents and the Ecampus growth offset the loss on international students and yield sustainable financial results in the near-term years. In the out years, as international enrollment grows back, those revenues augment the stable budgets and yield growth in reserve balances that help move OSU's EBIDA margin (which has historically been significantly below peers) back into the preferred range.

Figures 4 and 5 show some of the key results from the forecast with the forecast amounts from January 21 forecast for reference. Education and General funds grow at more normal rates beginning in FY24 but do not return to the levels that were forecasted prior to the pandemic. This is a result of the change in net revenue noted above. E&G operations still generate positive margins because of expense reduction measures taken over the last two years, some of which will have to be continued into the future to adjust to the reduced net revenues per student.

E&G funds ended FY21 (and will end FY22) with significantly more fund balance than projected in January 2021 (Figure 4, top). This was a combination of the federal relief funds allowing less use of existing balances, deferral of over \$20M in capital renewal spending, accumulation of Outdoor School funds that could not be spent by the K-12 system, and a hiring freeze that created significant salary savings in some units. That fund balance will be spent down in part through FY26 as the capital projects and Outdoor School funds are expended and units resume hiring including faculty setup funding. Fund balances then increase through FY32 as international enrollments grow back, providing fund balance sufficient to maintain institutional reserves within the 10% to 20% range recommended by the Board and yield EBIDA margins just within the preferred ranges.

The most dramatic financial impact of the pandemic were the large losses in self-support unit revenue led by losses in University Housing & Dining Services (UHDS) and Intercollegiate Athletics. Actual losses were higher in FY21 than forecast in January 2021 (Figure 4, middle) nearly \$100M less than would have been expected pre-pandemic. However, net working capital balances were much better than forecast (only -3% rather than -14%). This was because of careful work in expense reduction and support from the first two Federal relief packages for many of the self-support units, particularly UHDS. The forecast shows a faster recovery than forecast in January 2021, reaching pre-pandemic levels by about FY25.

Restricted funds (Figure 4, bottom) showed significant growth through the pandemic and is forecast to grow faster than historic trends from faculty success in large project funding (RCRV project, PacWave, the NANOGrav Physics Frontiers Center, and the Center for Oldest Ice Exploration, or COLDEX). The forecast assumes grant funding returns to historic growth rates

after these projects end, but that is a conservative estimate. Gifts and pledges to the OSU Foundation remained strong through the pandemic, except for giving to the annual Beaver Athletic Fund.

Total institutional reserve funds (net working capital or fund balance depending on fund) remain at about 10% of revenues from FY23 through FY28 then rise to about 15% of revenues as E&G fund balances grow (Figure 5). The allocation of some of that E&G fund balance growth to true institutional reserves should be considered as part of keeping OSU's EBIDA margin within our approved operating ranges.

More discussion on each of the three major funds is included below.

Education and General Funds: Operating and Capital

The Education and General forecast is impacted most significantly by revenue reductions in FY21 and FY22 from enrollment declines relative to FY19 and the change in net revenue per student discussed above. Overall enrollment returns to pre-pandemic levels in FY25 but the mix of students is different (Figure 2). International enrollments will lag pre-pandemic levels for some time and domestic non-resident undergraduates are a large part of Corvallis campus enrollment (though remaining at or below one-third of Corvallis undergraduate enrollment). The forecast does assume continued growth in OSU-Cascades and Ecampus. Ecampus enrollments, which are usually part time and have a lower tuition charge than traditional non-residents, constitute 39% of OSU enrollments by FY32.

OSU-Cascades is forecast to grow consistently, reaching about 2,280 students in FY32. Graduate and professional enrollments in Corvallis are forecast to grow modestly up about 14% to 4,350 students in FY32. Corvallis resident undergraduates grow by about 800 students to about 14,200 by FY26 then fluctuate around that level in response to numbers of Oregon high school graduates. Total non-resident undergraduates in Corvallis reach 7,200 by FY32 (33%) but are 22% international non-residents, down from 37% international non-residents in FY18.

One major result of the forecast is that while Corvallis enrollments reach pre-pandemic levels in FY25 and OSU's total enrollment continues to grow, total revenues do not return to what was forecast prior to the pandemic (Figure 4). The rates of revenue increase return to historic trends however the total revenues remain somewhat below what would have been expected prior to the pandemic, because of the change in the mix of students.

This means that maintaining balanced budgets will require continued expense management. Revenue growth is forecast to cover inflationary increases in typical years and modest increases for the costs of growth (principally in Ecampus). Investments in new initiatives, programs, or services will require redirection of funds saved by modernization of business processes and systems and by closing or reducing some existing services or programs.

The E&G forecast is leveraged most heavily on changes in expense and revenue trends for Corvallis operations. Under reasonable assumptions, the forecast projects appropriate fund balances and resulting financial metrics (Figure 5). The origin of the high fund balances in FY21 and FY22 were discussed above. The E&G fund balances do exceed the Board's upper limit of 20% of revenues beginning in FY29, though the total of all operating funds reserves are in the 10% to 15% of revenues range for most of the forecast. The high E&G fund balances are generated in significant part because international enrollments rebuild in out years. The high

fund balances correspond to the first two years in which the EBIDA margin (Figure 7) reaches the minimum level typical of our peers expected by investors and lenders.

As the forecast shows (Figure 5), E&G operations are the only funds generating significant net reserves. There are two important things to consider. First, a few years ago there were also reserves in self-supports, but these were largely from UHDS and most have been consumed through the pandemic response. Second, OSU has always had lower cash reserves. Historically lower EBIDA margins compared to our peers have meant that we have had less funds available to contribute to reserves. OSU's cash and investments forecast peaks in FY22 and FY23 which includes declining balances of unspent bond proceeds, then steadily reduces. Best practice recommends reserves sufficient for 120 days of operating costs. If OSU wants to establish truly discretionary reserves at a level sufficient for a complex institution of its size and wants to maintain an EBIDA margin at or above the minimum level shown in Figure 1, it will require maintaining annual operating margins in E&G like those shown in FY30, FY31 and FY32. It will also require identifying a structure to move some of those marginal funds into true discretionary reserves (a large portion of current E&G reserves are in academic colleges and may be earmarked for faculty startup or development).

The business forecast includes the capital forecast discussed later in this document. The Infrastructure Working Group (IWG) recommendations approved by the president prioritize projects using the criteria noted, yielding a set of projects (Tables 3 through 8) that address a number of high priority needs for the campus:

- Reduction of the accumulated deferred maintenance through a combination of state funding, OSU revenue bonds, and E&G allocations of capital renewal and repair funds and demolition of facilities beyond their useful life. This investment is an essential part of OSU being able to continue to recruit and retain faculty, staff and students, as well as meet its environmental sustainability and carbon reduction goals.
- Improvement of core infrastructure supporting academic and support buildings. Projects include improvements to Washington Way, land development at OSU-Cascades, and infrastructure at the Hatfield Marine Science Center and Ship Operations.
- A focus on renovation and renewal of facilities including the completion of Cordley Hall, Gilkey Hall, Gilbert Hall, Withycombe Hall, and renovation/replacement of the East and West Greenhouses. These plans, which place special emphasis on improving the university's research infrastructure, include providing research surge space to allow laboratory groups to be moved while facilities are renovated.
- New construction for facilities that provide state-of-the art research and education spaces in the Collaborative Innovation Complex and Academic Building 3 at OSU-Cascades.
- Improved student services with the construction of a Student Success center and a Health Sciences and Recreation Center at Cascades.
- Demolition of Weniger Hall and Snell Hall.

The debt service, construction, and operating costs of the projects in Tables 3 and 6 are included in the financial metric analysis discussed below.

Self-support Funds: Operating and Capital

The most significant change in the current forecast from January 2021 are that declines in revenue in FY21 (driven principally by the pandemic-related losses in Athletics and UHDS) were

greater than expected (Figure 4, middle). However, revenues are projected to return to normal levels more quickly than originally forecast, based on housing occupancy in the current year and estimates for other self-support operations. Conservative projections for both units estimate slightly less than normal revenues in FY22, revenues closer to normal in FY23, and a return to pre-pandemic levels by FY24.

These revenue losses along with the need to maintain significant levels of staffing in University Housing & Dining Services (UHDS) and Athletics (as well as other self-support units) combined to yield large negative net working capital balances in FY20 and FY21 in UHDS and in FY21 and FY22 in Athletics (Figures 5, 6). However, those negative balances are smaller than forecast in January 2021 because of strong management of expenses in these operations and the impact of Federal relief funding, particularly in UHDS.

Fund balances in self-support units (in aggregate) begin to grow back in FY23 and reach positive ranges in FY26 (Figure 5). However, self-support funds in aggregate are not forecast to build significant net working capital in the current forecast. This is in large part because units that typically accumulated reserves for capital renewal and capital equipment replacements (UHDS for example) have had to use those reserves to offset losses and finance some projects that were expected to be completed with cash. This means that for the next few years, those capital investments will often have to be financed with debt service from annual operating budgets, instead of fully setting aside some annual reserves to fund future capital projects. The forecast is conservative in this regard – especially in light of past COVID impacts - and continued strong performance in these units may yield better growth in net working capital balances than is forecast here.

Despite the losses in self-support units during the pandemic, the university's financial position remains solid through the period of the ten-year forecast. As the specifics of the next few years unfold, the university may choose to manage cash balances across the E&G and self-support funds differently to help ensure that the overall operations of units in all funds are stable.

The forecast assumes that the Athletics Financial Sustainability Plan will resume successfully by FY24 bringing Athletics into positive operating ranges (Figure 6) and that UHDS projects generate sufficient revenues to cover the costs of operations and facilities maintenance.

UHDS projects include new upper-division and graduate student housing, phased renewal of the GEM housing, and renewal and replacement of older housing facilities. There are significant capital renewal projects planned in self-support units. These projects will rely largely on debt financing paid back by revenues from the projects, student building loan/debt fee revenues, capital reserves in self-support units, and potential partnership opportunities. The specific financing of individual projects, particularly in out years, is being reviewed carefully.

Capital projects for Athletics are assumed to be funded entirely by gifts or other revenues (including debt-financing paid by Athletics) associated with operations of those facilities. Major projects in the forecast include the Reser Stadium West Grandstands, a field sports building, the build-out of softball facilities, and renovations in Gill Coliseum.

Athletics Projection Details – Figure 6 shows some detail for operations in Intercollegiate Athletics through FY26. This assumes ticket sales and donations remain at less than normal revenues in FY22 and fully normal operations resume in FY23. This version of the projection assumes that Athletics repays losses sustained in FY21 and FY22 over the next ten years. The projection includes a significant increase in broadcast revenues in FY24, the establishment of

an annual \$1M contingency fund by FY24, and the debt service and operating costs associated with the completion of Reser Stadium. The losses in FY21 and FY22 will require cash management strategies in the short-term but the longer-term trajectory has athletics back on track to meet the expectations of the financial sustainability plan.

University Housing & Dining Services Projection Details – Figure 6 shows some detail for UHDS operations through FY26. The current year is projecting \$67M in revenue and a small but noteworthy positive \$1.1M net operating balance which is a significant improvement over what was expected a year ago.

The FY22 projection is based on much stronger than expected occupancy in fall and record student retention through winter term. The cumulative COVID imposed losses from FY20 and FY21 will be addressed via ongoing and focused margin management, restructuring of existing debt and additional internal bank loans, and with some use of federal stimulus funding. Dining revenues have not grown back as quickly because of challenges in returning to full staffing levels. Several dining concepts have remained closed through the current year due to challenging labor shortages in both professional staff and student workers.

The projections assume a return to normal operations in FY23, with standard UHDS breakeven performance, any cash surpluses saved for or immediately reinvested into buildings/acquisitions, and increased debt service covered through operations. The average full year weighted average occupancy would be roughly 4,300 residence hall students. Corresponding “normal” revenue would be about \$71M, with 4% to 5% revenue growth per year thereafter based on pricing increases and additional growth with housing inventory additions (such as the Upper Division & Graduate Student Housing Project, with its impacts coming online in FY25).

The forecast will require (as modeled) 4%-6% annual increases in housing and dining rates for several years into the future to provide sufficient net revenue to manage increased COVID era debt service burdens, given that UHDS loss mitigation in FY20 and FY21 leveraged debt as a substantial part of the solution. Use of some of the third allocation of federal relief funds may be able to ameliorate that pressure on future rates. As in E&G, continued disciplined expense management will be a part of operations for all future years.

The expectation is, however, that UHDS will return to largely normal operations by FY23 with revenues at historical levels, inclusive of the FY22 Gem addition. The projections do assume continued rent from INTO-OSU for use of the International Living Learning Center.

Restricted Funds: Operating and Capital

Restricted fund growth is forecast to show steady growth (Figure 4, bottom). Both gift revenues (with the exception of annual giving to the Beaver Athletic Fund) and grant and contract revenues have remained strong through the pandemic. The projections now are higher than forecast in January 2021, driven by the ship project, PacWave and successful large grant project initiatives. The forecast is conservative, in that it does not assume additional large projects after the current ones are completed. Restricted funds are not expected to generate significant net working capital balances (Figure 5) as they typically are spent shortly after they are received.

FINANCIAL STATEMENT METRIC PROJECTIONS

The final component of the Ten-Year Business Forecast is a review of long-term trends in four of OSU's financial metrics. Figure 7 shows the revised financial metrics approved in October 2021 from the FY17 through FY21 financial statements actuals and then projected in the model through FY32. The model uses institution-wide averages and trends based on completed audited financial statements (beginning in FY14 for OSU). It brings together the assumptions in the operating and capital forecasts with other components of the institution's financial statements, including non-cash components, and accounts for revenues and expenses consistent with GASB accounting requirements that OSU follows.

Total Cash and Investments to Adjusted Debt (Figure 7) measures the ability to repay debt and pension obligations with available financial resources. The ratio falls steadily from the peak in FY22. The big driver here is based on forecast assumptions for adjusted net pension liability. The calculations show steady increases each year after considerations for the impact of the side account and the changing demographics of retired employees. A smaller impact but still noteworthy offset is legacy state debt (SELP and XI-F) that matures in this timeframe, \$17.8M (2.2%), \$16.2M (2.0%), and \$15.8M (2.0%) in FY30, FY31, and FY32 respectively.

Total Cash and Investments to Operating Expenses (Figure 7) measures the level of available reserves to meet the university's operating expenditures. The ratio peaks in FY22 then steadily declines. The FY22 peak comes from a forecast change resulting in a lower restricted amount of unspent bond proceeds. Currently because OSU reports these funds as restricted for capital, Moody's excludes them from the cash and investment total. The model now assumes that only proceeds from issuances before the 2020 series will be excluded. The continued decline in the ratio after that reflects spending including the remainder of the \$300M bond proceeds and assumed increases in operating expenses.

EBIDA (Earnings before Interest, Depreciation and Amortization) Margin (Figure 7) measures the ability to repay debt from operating revenue as well as invest in academic programs and facilities to advance strategic objectives. EBIDA reaches a minimum in FY23 and grows into the preferred range by FY31. This growth closely tracks the increase in institutional net working capital and particularly that increase in E&G funds. OSU has not developed reserves sufficient to meet the EBIDA range that is typical for our peers (between the blue and green dashed lines in Figure 7). The fund balance growth modeled in E&G comes largely from the enrollment strategy with increased domestic non-resident students, and with international student enrollments growing to FY21 levels. Those fund balances would, in practice, be set aside in part to create true institutional reserves (as opposed to distributed fund balance in units, much of it committed to faculty). This would maintain OSU's EBIDA margin in the preferred range and allow for financial reserves expected by the public markets.

Debt Service Coverage (Figure 7) is EBIDA over Annual Debt Service and measures the sufficiency of operations on a cash flow basis to cover debt service. The ratio moves up and down through FY29 as short-term debt is repaid. The ratio increases significantly in FY30 through FY32 with a modest long-term debt issuance offset by repayment of long-term debt and generation of positive reserve balances reflected in increased EBIDA Margin.

NEXT STEPS

The revised forecast reinforces the value that the ten-year forecast process provides to understand the university's longer-term financial position, to investigate potential scenarios and

to consider what would be required to address negative impacts on the university's financial position. The impacts of the pandemic were significant but reinforced the value of long-term planning, even with the uncertainties inherent in that exercise.

In the near term, staff need to determine how to apply the balance of the third federal stimulus funds most effectively and to monitor the financial progress of Athletics and UHDS as they emerge from the pandemic. The Ten-Year Business Forecast will be updated as information changes and benchmarks are reached (annual year-end close, legislative sessions, etc.).

UPDATED TEN-YEAR CAPITAL FORECAST

BACKGROUND

The Ten-Year Capital Forecast is included within the Ten-Year Business Forecast. Oregon State University's 2022 Ten-Year Capital Forecast describes how OSU will provide—over the period FY22 through FY31—for the physical environment necessary to carry out its mission. Projects in the forecast are sequenced by legislative biennium. Five biennia are covered in the 2022 Capital Forecast: 2021-23, 2023-25, 2025-27, 2027-29 and 2029-31.

The Capital Forecast lays out OSU's plans for capital investments based on current and anticipated conditions, needs, priorities and resources. The Capital Forecast is guided by OSU's Strategic Plan 4.0 and the Ten-Year Business Forecast. A broad array of campus leaders, staff, committees, programs and consultants assist in developing the capital plan. The Capital Forecast captures OSU's plans in Corvallis, Bend, Newport, Portland and the rest of the state.

The Infrastructure Working Group (IWG) is charged by the Provost and Vice President for Finance and Administration to develop the Capital Forecast using Strategic Plan 4.0 as the lens for prioritization. In support of the IWG process, University Facilities, Infrastructure and Operations (UFIO) conducts interviews with every dean, major department, and major office to understand specific infrastructure needs. The IWG vets, prioritizes and recommends investments based on their effectiveness advancing the SP4.0 and their relationship to campus initiatives. A preliminary updated Capital Forecast is prepared for consideration by the Vice President of Finance and Administration and the Provost and Executive Vice President, who make a recommendation to the President for approval.

The Capital Forecast is integrated into OSU's Ten-Year Business Forecast. Further details on the process and priorities of OSU's Capital Forecast can be found at: <https://ufio.oregonstate.edu/capital-forecast>.

CAPITAL PROJECT PRIORITIZATION CRITERIA

The IWG evaluates each project based on four primary criteria:

Advancing OSU's Strategic Plan: Proposed project must make a critical contribution to the advancement of OSU's Strategic Plan 4.0 and support the proposing unit's strategic direction. The proposal should address the contribution that the capital project will make towards achieving four main goals:

- Preeminence in research, scholarship and innovation.
- Transformative education that is accessible to all learners.

- Significant and visible impact in Oregon and beyond.
- A culture of belonging, collaboration and innovation.

Minimizing the Impact on Environmental and Financial Resources: Proposed projects also will be evaluated for their effect on the cost of operating our campuses and facilities and their impact on the environment.

- Projects should increase space efficiency, use less energy, and require less operational cost to maintain and renew.
- New buildings should only be considered when absolutely required.
- Projects that contribute to reducing energy usage and promote renewable energy and carbon reduction should be emphasized.

Cultivating a Safer, More Equitable, Accessible and Welcoming Environment: Proposed projects should advance OSU's commitment to our students, staff, visitors and community that OSU is a safer, more accessible and welcoming place for all.

- Projects should consider how facilities and infrastructure and the living, learning, teaching, research and other uses they will support will contribute to and support equitable outcomes for students and employees of color, students and employees with disabilities, first generation students, and students with high financial need.
- Projects should reduce physical and perceived barriers and advance safety and well-being.
- Projects should improve access and internal circulation to our campuses and facilities for all modes of transportation with an emphasis towards sustainability, accessibility and equity.
- Projects should address building and infrastructure renewal, reliability and preservation as well as seismic and fire-life safety.

Leveraging Funding: If proposed projects advances one or more of the other principles, projects that have the ability to attract private gifts, grants, state bond and other outside funding should be emphasized. Special attention is paid to:

- The OSU Corvallis Campus Vision and OSU-Cascades long range development plan;
- The development of multi-use, multi-unit facilities that create efficiencies, enhance collaboration and inspire innovation.

CAPITAL FORECAST PROJECT DETAILS FOR CORVALLIS AND NEWPORT

The 2022 updates to the Capital Forecast continue the overall plan to renew OSU's Corvallis campus, Newport facility and statewide research infrastructure through comprehensive renewal of our cherished buildings and replacement of buildings that cannot be economically renewed. The plan (largely in the Minor Capital Systems Renewal section) also upgrades safety and accessibility, and replaces worn building systems in buildings and infrastructure where major renewal projects are not forecasted. **Tables 3 and 6** in Attachment 1 provide details about Corvallis and Newport projects.

The Capital Forecast continues to co-develop and implement elements of broader plans including OSU's Path to Carbon Neutrality, the Corvallis Campus Vision, the Sustainable

Transportation Plan, the Accessibility Improvement Plan, and Systems Renewal Plans (for roofs, underground utilities, elevators and steam distribution, to name a few).

New Construction

- Collaborative Innovation Complex (CIC) (\$166M; gifts of \$75M and \$16M of OSU CIR funds will back OSU’s request of \$75M from the state). The most substantial update to the Capital Forecast are changes necessary to integrate the CIC into the sequence of capital spending. The CIC is being planned as 150,000 square feet of new space to host OSU’s most advanced research infrastructure with a goal of supporting team-based interdisciplinary research in some of OSU’s most distinctive fields. Constructed in the heart of the campus with the aim of enhancing synergies among STEM disciplines, the project will demolish and use the site of the 211,000 square foot Weniger Hall. Demolishing Weniger, which is not economical to renew, would remove \$70 million in deferred maintenance from OSU’s backlog. A series of related renovations and improvements—including but not limited to Plageman Hall and a repurposed Heat Plant Building—would accompany the project to further advance the goal of supporting collaborative interdisciplinary research and to ensure the needs of units and activities in Weniger are accommodated.

Renovations

- Cordley Hall (\$172M) – The Cordley Hall project will finish modernizing the west half of the building in the spring of 2022. The North District Utility Plant, which will provide efficient and reliable cooling to Cordley and the other research buildings in the north campus area, is complete. The east half of Cordley will be under renovation from summer 2022 to the summer 2024 and is funded at \$82.6M in biennium 2021-2023.
- Gilkey Hall Interior Renovation (\$7.4M) – Renovation to create a quality Counselling and Psychological Service (CAPS) center and renewal of buildings systems including plumbing, steam, accessibility and roof. A seismic load resisting shear plane will be constructed under the roof to improve seismic rigidity.
- Milam Hall Roof, Seismic and RTU Renewal (\$5.3M) – Replaces Milam Hall’s roof and worn rooftop mechanical units. A seismic load resisting shear plane will be constructed under the roof to improve seismic rigidity.
- Withycombe Hall Renovations (\$51M) - Once planned for two phases over two biennia, Withycombe Hall will be renovated in a single effort. The project will focus on accommodating the Dairy Products Research Center and will create additional research and education space centered around food and animal and rangeland sciences.
- West Greenhouse Expansion (\$6.2M) – Accommodates the decommissioning of the 1929 East Greenhouses by creating teaching and research space sufficient to keep programs operating until the aspirational *Plant Science Innovation Center* can be realized.
- Valley Library Roof (\$6.75M), Milam Roof (\$5.3M) and LaSells Stewart Center Roof & Mechanical Renewals (\$8.8M) – Deferred maintenance removal projects that will replace roof, mechanical and structural systems in projects intended to preserve and extend the useful life of these buildings.
- Heat Plant Repurpose & Benton Place Infrastructure (\$48M) – The Heat Plant building was decommissioned in 2010 and has been vacant since. The historic façade will be retained with essentially a new building being created inside to accommodate programs

from Weniger Hall and complement the aspirations of the CIC. The renewal of the surface and underground infrastructure in the area will create a modern, inviting and exciting district from the emerging Arts and Education Complex to Goss Stadium.

- Plageman Hall Repurpose (\$18M) – Student Health Services will move into the new facility at Reser Stadium in 2023 and the old infirmary will be repurposed for academic, administrative and computational space in compliment to the CIC.
- HMSC Building 900 Renewal (\$5M) – Begins deferred maintenance and seismic safety at the Newport HMSC Campus.
- Gilbert, Gleeson, Gilbert Addition Renewal (\$100M) – This project will address OSU's energy-intensive and distressed fume hood research infrastructure creating a safe, energy-efficient, modern and right-sized core of fume hood-intensive facilities in compliment and supplement to the modern facilities like Linus Pauling Science Center and Johnson Hall. The programs and needs of our fume hood infrastructure will respond to and influence research elements in the CIC.
- Dairy Center Modernization (\$16M) - Renewal of the aged 1969 dairy, located west of the Corvallis campus, to become a next-generation dairy farm, featuring a robotic dairy barn that incorporates multiple data-sensing and automated systems.
- Engineering Triangle Renewal (\$100M) – Envisions renovations and improvement to Dearborn, Batcheller, Covell and Rogers Halls to create modern and efficient academic and research space in compliment to the CIC.
- Gladys Valley Building Renovation (\$20M) – Renews and repurposes one of OSU's oldest buildings in the heart of campus.
- Plant Science Innovation Center (\$30M) – Replaces (either on site or at a different location) the aged 1929 East Greenhouse range with a modern versatile greenhouse facility which will meet the changing needs of our current and future research and teaching programs.
- Kerr Administration Seismic Upgrade (\$13M) – Strengthens the building for seismic events.
- Community Hall Renovation (\$24M) – Renews, strengthens and repurposes OSU's oldest building.
- McAlexander Fieldhouse North Building (\$18M) – This project will also provide an interior renovation and seismic safety upgrade to the north section of the building that houses the Army and Air Force ROTC programs.
- Pharmacy Building Renewal (\$43M) – Renews, strengthens the buildings as well as re-organizes academic, research and administrative space.

Infrastructure

- Ship Operations Dock Replacement (\$7M) – Improves aged elements of the Newport HMSC dock complex to accommodate new research vessels and serve for the next 50 years.
- HMSC Seawater Infrastructure Renewal (\$5.6M) - Replaces the aged research seawater supply pier and pumping system providing access to high quality seawater needed for a variety of experiments, research, outreach and education by OSU and our partners.
- Research Computing Data Center (\$5M) – Expansion of the data center in the PASC building which was designed to add additional server space and HVAC equipment. Will provide needed capacity for OSU's IT infrastructure.

- Campus Way Infrastructure Renewal (\$14M) – Renews underground and surface infrastructure through the heart of campus and implements modern transportation, streetscape and accessibility improvements.
- Snell Hall Demolition (\$12M) - Removes Snell Hall after its extended use as a surge space for campus building renewal projects. The project will also restore and modernize the area around it providing accessibility and infrastructure renewal.

University Housing and Dining Services & Student Affairs

Table 4 in Attachment 1 provides details about UHDS and Student Affairs projects

- Newport Housing (\$16.5M) – Provides housing opportunities outside of the Tsunami Inundation zone in Newport as the Marine Studies Initiative increases education, research and engagement activities at the Hatfield Marine Science Center and other OSU activities in Newport.
- Upper Division and Graduate Student Housing (\$50M) – This project provides much-needed and currently under-developed studio and two-bedroom suite-style units targeted for upper-division and graduate students on campus. The project was approved by the Board of Trustees in 2018, delayed due to COVID and land-use issues, and is now back on track to be completed for 2024.
- Residence Hall Replacement (\$106.6M) - Construction of a new residence hall as well as the replacement and/or renovation of existing facilities to provide high-quality, student-centered, and desirable housing for on-campus student residents as well as maintain competitiveness in new-student recruitment. Multiple options for financing are under consideration.
- Residence Hall/Dining Center Complex (\$151.1M) - Continued replacement and/or renovation of existing housing and dining facilities to create greater flexibility and quality of dining and residential facilities for on-campus student residents as well as maintain competitiveness in new-student recruitment. Multiple options for financing are under consideration.
- Azalea Child Care Center Completion (\$5M) – Completes the Azalea Child Care Center with a buildout of the incomplete second floor of the Azalea House, thereby increasing building capacity by almost 90% of much-needed early care and education space for children and dependents of OSU students and employees.
- Recreational Sports and Memorial Union Deferred Maintenance Projects (\$44.0M over the Ten-Year Business Forecast period) – Recreational Sports and Memorial Union (MU) bundled capital projects that address critical infrastructure and safety standards across iconic buildings in both departments including the roofs, mechanical systems, MU water infiltration mitigation/prevention, synthetic turf replacement, sports surfaces, swimming pool envelope, sky lights, and flooring.
- Pride Center Improvement & Expansion (\$3.5M) – Expands and renews the Pride Center to provide an upgraded community space for LGBTQQIAA students.

Athletics

Table 5 in Attachment 1 provides details about Athletics projects

- Whyte Track and Field Grandstands (\$7M) – Provides a 1200-seat partially covered grandstand, restrooms, and the relocation of an existing city sewer line running under

the proposed grandstand location. Project will also improve area infrastructure including parking and accessible walkways.

- Reser Stadium Video Board (\$5.9M) – Replaces the end-of-life 2007 videoboard and ribbon boards with new LED technology that will have clearer pictures and greater programming capabilities resulting in an enhanced fan experience.
- Field Sports Building (\$14.5M) – Creates much-needed logistical support for field sport events and operations, and provides amenities for student athletes.
- Leadership Center (\$20.4M) – Relocates coaches and administration from Gill Coliseum, and provides amenities, services and support to retain and attract student athletes.
- Gill Coliseum Basement and Concourse (\$22.9M) – Makes improvements to the historic coliseum, including fan amenities on the concourse and event levels, and redesigns the basement footprint to improve locker room facilities.
- Softball Buildout (\$5M) – Improvement to the softball field and expansion and improvements to stands and amenities.
- Goss Stadium Addition (\$5M) – Expansion and improvements to the baseball field stands and amenities.

CAPITAL FORECAST DETAILS FOR OSU-CASCADES

To meet the State of Oregon’s goals for higher education in central Oregon, OSU will expand the Bend campus through land improvements, infrastructure and buildings over the next decade to meet student growth projections of 2,000-2,400 students by 2027. **Tables 7 and 8** in Attachment 1 detail OSU-Cascades projects.

E&G buildings

- Student Success Center (\$18.8M) – Provides space vital for academic success and student retention.
- Campus Maintenance Center (\$7.5M) – Adds a necessary resource for the growing campus.
- Health Sciences and Recreation Center (\$60.4M) - An E&G and student fees supported health sciences and recreation center vital to the delivery of health sciences programming, student recreation and attracting and retaining students.
- Innovation District – Land Development (\$34M) - Advances the physical development of the OSU-Cascades Innovation District. Remediation, filling, grading, utilities and on- and off-site infrastructure on the former Deschutes County demolition landfill. The site will support the development of future innovation partner buildings, including affordable or middle-market housing.
- Academic Buildings 3&4 (\$56.4M and \$39.2M) – Provides academic and research space to meet student and staff growth as well as specialized academic program teaching and research needs.

Other Buildings

- Early Learning Center + K-5 School (\$37M cost to third-party) – OSU will master-lease the land for the co-location and development of an early learning center and K-5 school,

operated in partnership with OSU-Cascades' undergraduate elementary education and MAT education programs.

- CascadesNZE Solar (\$2.6M) – This project will be the first phase in OSU-Cascades on-site energy generation, installing photovoltaics on existing building roofs and additional locations, either ground mounted or over surface parking lots.
- Innovation District – Partner Buildings and Housing (\$218.4M cost to third-party) - Integrates academic programs with industry, facilitate research and student internship partnerships with the private sector, leverage the campus as a natural laboratory, and create a physical environment for private sector industry activity and housing.
- Assembly Conference Center (\$32.1M cost to third-party) – Provides a needed large format convening space for the growing campus as well community needs for conferences or the arts.

RECOMMENDATION

Staff recommend that the Finance and Administration Committee recommend the Fiscal Year 2022-2032 Ten-Year Business Forecast to the Board for acceptance.

Figure 1: Key financial metrics based on OSU’s audited financial statements. These metrics were approved by the Finance & Administration Committee in October 2021 to monitor the financial health of the university and make informed decisions about the issuance of debt. Definitions are included on page 4.

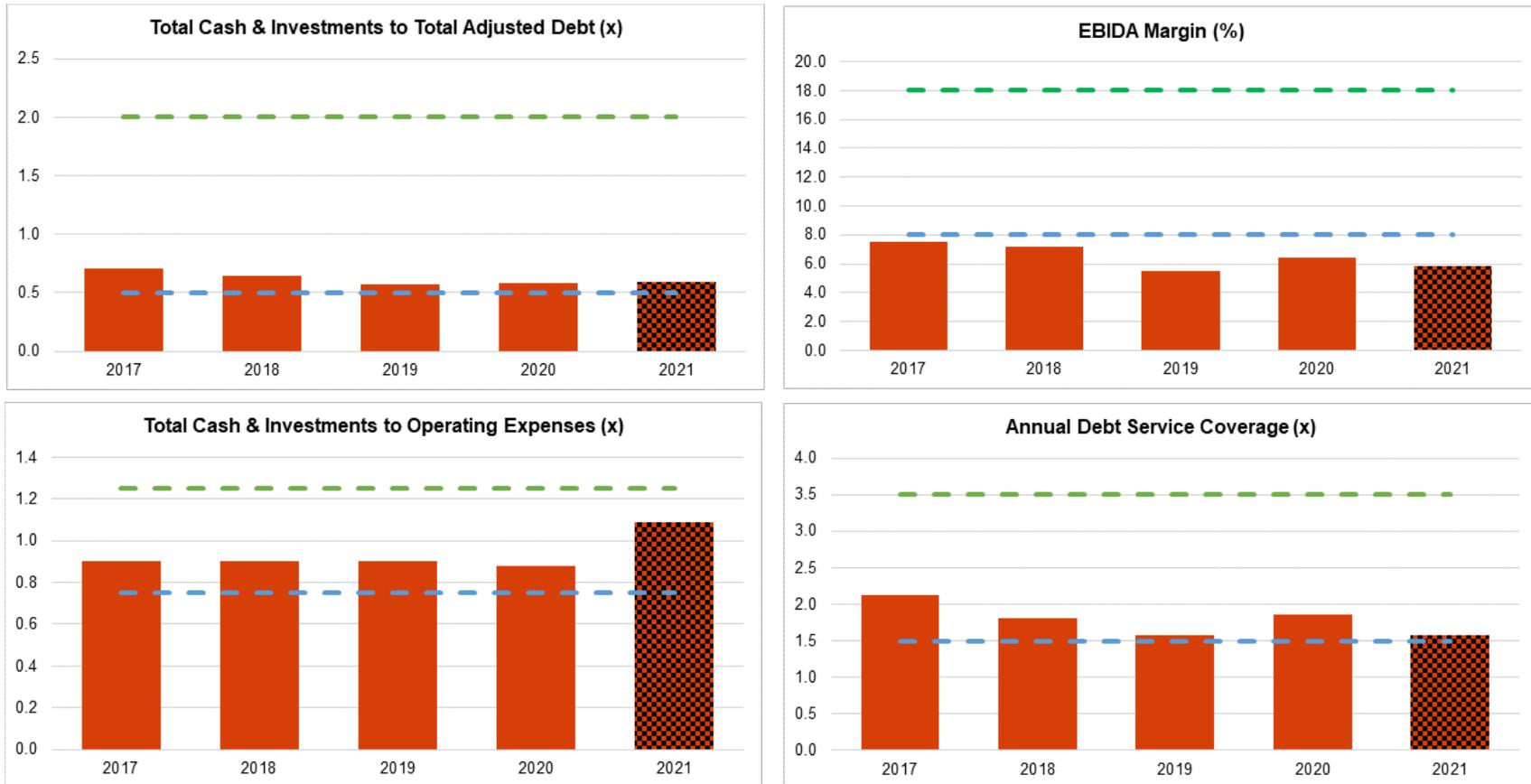


Table 1. Financial Metrics Approved in October 2021.

| Ratio | Operating Ranges | Purpose |
|--|-------------------|--|
| Operating Performance | | |
| Fund Balance | 10.0% - 20.0% | Measures the available operating balance relative to the size of the Education and General operations and reported in the quarterly management reports |
| EBIDA (Earnings before Interest, Depreciation and Amortization) Margin | 8.0% - 18.0% | Measures the ability to repay debt from operating revenue as well as invest in academic programs and facilities to advance strategic objectives |
| Reserve Levels and Debt Capacity | | |
| Total Cash and Investments to Operating Expenses | 0.75 – 1.25 times | Measures level of available reserves to meet the university's operating expenditures |
| Total Cash and Investments to Adjusted Debt | 0.5 – 2.0 times | Measures the ability to repay debt and pension obligation with available financial resources |
| Debt Affordability | | |
| Debt Service Coverage | 1.5 - 3.5 times | Measures the sufficiency of operations on a cash flow basis to cover debt service |

Table 2. Strategic Plan 4.0 (2019-2023) and the Fiscal Year 2022-2032 Ten-Year Business Forecast relationships. The ten-year business forecast takes an institutional-level view of operating and capital needs and the expected trajectories of revenues and expenses. Many of the twenty actions in the strategic plan will be advanced by tactics that require specific decisions at the unit level.

| ACTION | | TEN YEAR BUSINESS FORECAST LINKS |
|--------|--|---|
| 1 | Continue building and supporting a diverse, world class faculty | Planning for salary and benefit cost increases to retain faculty, planning for faculty growth with enrollment which will support hiring in key areas, capital forecast strategy to improve, renovate, and expand research spaces. |
| 2 | Provide distinctive curricula and support innovative pedagogy suited to our mission and vision | Restoring share of resident Oregon undergraduate enrollment including Pell-eligible students, enrollment initiatives for non-residents, transfer students, professional education and Ecampus. |
| 3 | Diversify our research portfolio and strategically build our graduate programs | Modest growth in graduate enrollment and continued strong growth in research portfolio. |

FAC Agenda Item 5b – Attachment 1

| | | |
|----|--|--|
| 4 | Retool the OSU experience for the 21st century learner | Represented in assumptions about additional costs for support staffing in academic units and administrative units as enrollment increases and types of students diversify. |
| 5 | Implement an integrated approach to recruiting and enrolling learners at all levels | Core to all the enrollment assumptions for Corvallis, OSU-Cascades, Ecampus, and professional education. Enrollment assumptions include more diversity of programs (professional education, certificates, etc.). |
| 6 | Substantially improve our physical and administrative research infrastructure | Core part of the ten-year capital forecast is an emphasis on renewal and improvement of research facilities. Cost models assume growth in overhead costs to support services for students and for faculty. |
| 7 | Increase experiential learning opportunities and ensure access | Contributes to reaching the enrollment assumptions in the forecast. Budget model provides a strong incentive to get students to a degree and experiential learning contributes to that. |
| 8 | Expand pathways to an OSU credential | The assumptions for Ecampus assume continued development of new programs. Enrollment growth assumes some part of that growth is from new credentials with a focus on new audiences like adult learners and working professionals. |
| 9 | Make strategic investments in interdisciplinary and transdisciplinary scholarship, teaching and engagement | These kinds of programs are one of the vehicles to support actions 1, 2 and 3 (among others), realizing growth in the research enterprise, and effecting the various enrolment initiatives. A tactical example is the work planning the Engineering and Design for Society initiative. |
| 10 | Integrate inclusive excellence principles and practices into all aspects of the university | Underpins how the university approaches all of the actions and realization of the assumptions in the ten-year forecast. |
| 11 | Increase our retention and graduation of students | This action is a necessary part of reaching the assumptions for enrollment in both the base case and the enrollment initiatives. |
| 12 | Further internationalize OSU | Projections for restoring a portion of international student (graduate and undergraduate) enrollments as well as recruiting faculty from around the world. A tactical example is work considering a segmented international pricing initiative. |
| 13 | Support interdisciplinary education, research and engagement on healthy ocean and coasts through the Marine Studies Initiative | Enrollment in the forecast includes growth in MSI programs at Newport. Operating costs for the new building at HMSC are included in the forecast. |

FAC Agenda Item 5b – Attachment 1

| | | |
|----|---|---|
| 14 | Reduce our carbon footprint | A part of many (if not all) of the projects in the ten-year forecast which provides a significant part of the strategy for reaching our long-term carbon goals. |
| 15 | Strengthen our support system for innovation and entrepreneurship | Related to actions 3, 6 and 16. Innovation and commercialization, while not explicitly modeled in the ten-year forecast, are part of maintaining and realizing growth in the research portfolio and supports action 16. |
| 16 | Retool our approach to university-industry and alumni, parent and friend engagement | This relates both to realizing growth in the research portfolio, but also initiatives in professional education growth, and student recruitment and retention |
| 17 | Clarify vision, communications and governance guiding our physical and digital footprint | Important support action to realize the capital forecast goals and enrollment goals (recruiting, retention, reputation, etc.). |
| 18 | Strengthen alignment within the university among our branding, marketing, communications and public affairs efforts | Assumptions include growth in support expenses but that growth is modest. It is also assumed that expense containment is an ongoing part of management. The work with HelioCampus is helping shape those opportunities. |
| 19 | Implement a comprehensive talent management system | This contributes to the expense containment work as well as goals to recruit and retain faculty and staff. |
| 20 | Integrate & simplify technology systems, data practices and policies to increase our organizational agility | Part of keeping support growth modest and improving efficiency of operations. Key to success of some of the other actions (research support for faculty for example). |

Figure 2: Summary of enrollment trends in the business forecast by student headcount. Top: Fall headcount enrollment for major student categories; Corvallis enrollments (bottom three segments of each bar) are split out by resident and non-resident undergraduates and graduate and professional students. Note that Ecampus enrollments are typically part-time (one to three courses per quarter). Bottom: Details of enrollment forecast at Corvallis. Note the slow recovery of international undergraduates and growth of domestic non-resident undergraduates relative to FY19.

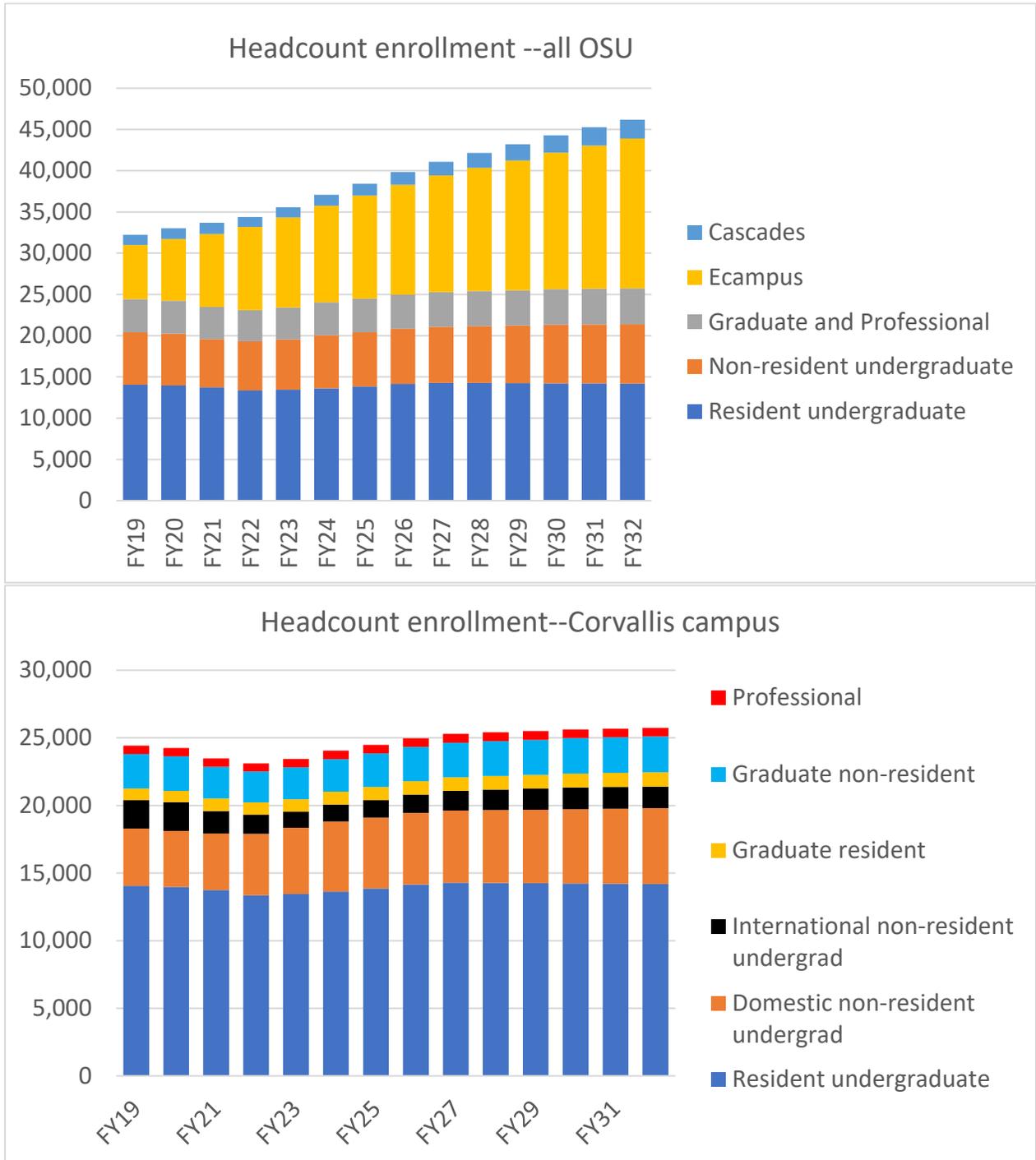


Figure 3: Headcount enrollment for international undergraduates and domestic non-resident undergraduate students in Corvallis. The strategy to rejoin the Western Undergraduate Exchange (by providing scholarships to reduce non-resident tuition to 150% of resident tuition) has yielded a large freshmen class in the current year and projections are for a large class again in fall of 2022. This will help offset the loss in international students. The strategy is a key part of the forecast for Corvallis enrollment.

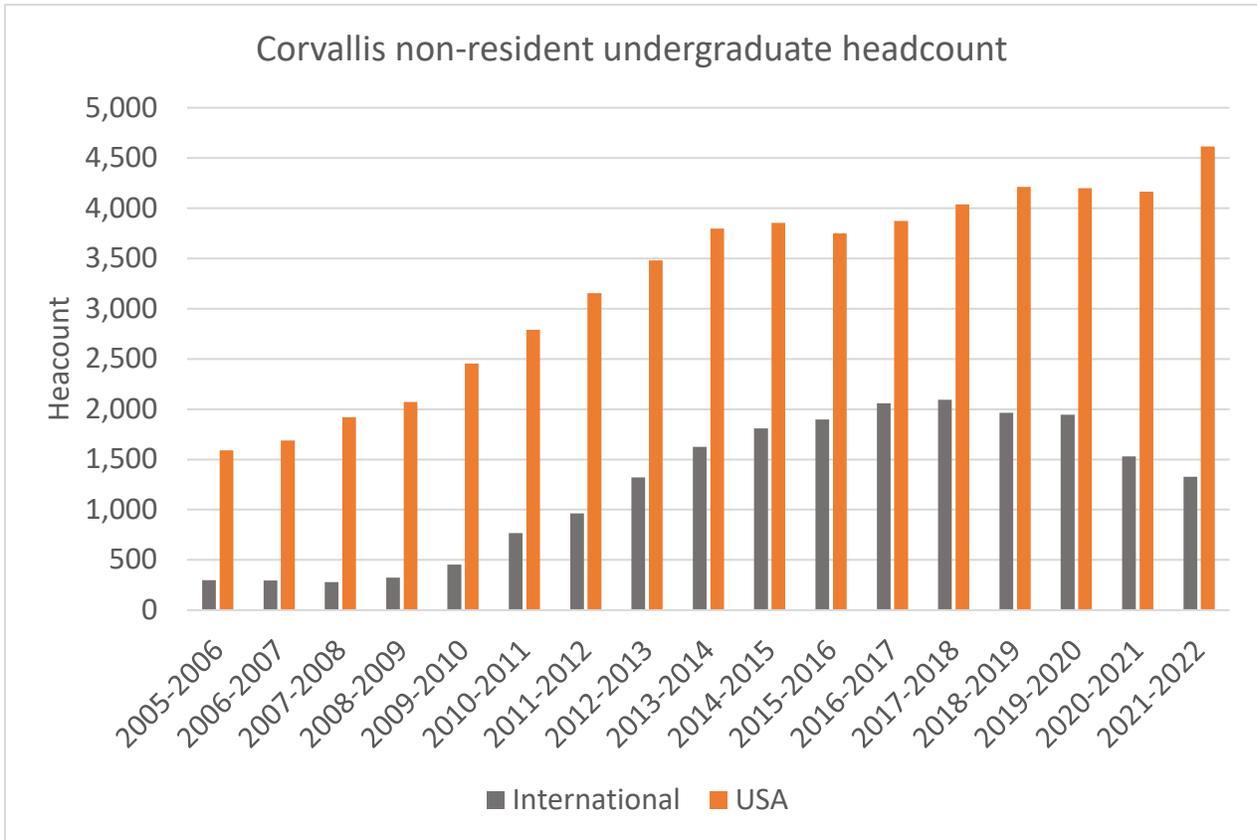
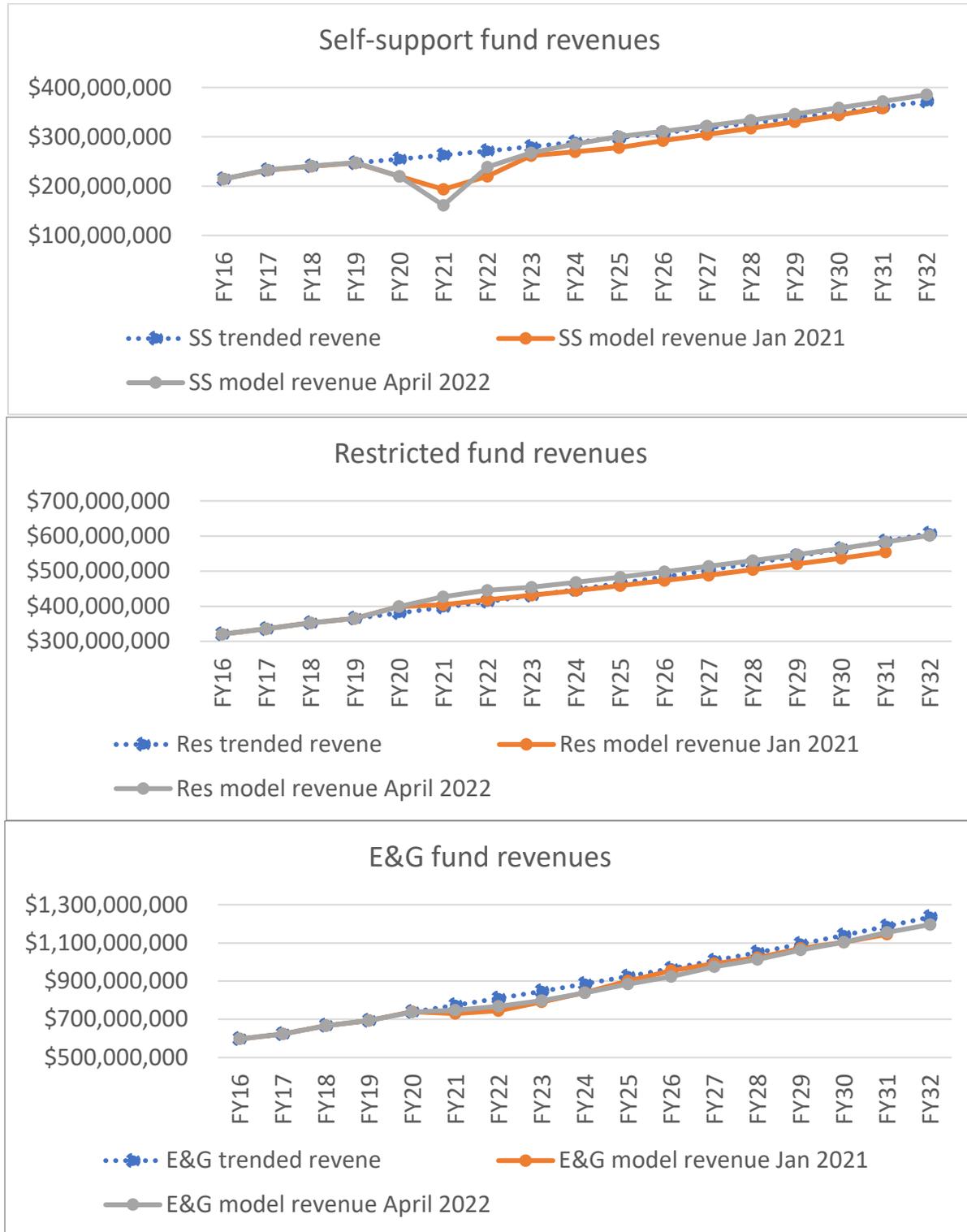


Figure 4: Revenues forecast for major operating funds. Grey shows the current forecast, orange the forecast in January of 2021, and the dotted blue line estimates what revenues would have been if pre-pandemic trends had persisted. Top: Education and General funds; Middle: Self Support funds; Bottom: Restricted funds.



April 7-8, 2022 Board of Trustees Meetings

Figure 5: Comparison for operating fund balance or unrestricted net working capital projections from the January 2021 forecast (bottom) and the current forecast (top) shown as both a % of annual revenues (left) and as dollars (right). The patterns remain the same but the erosion of fund balance in self-support units was less than expected because of Federal relief funds and hard work in expense reduction. E&G fund balances were buffered by the relief funds, the accumulation of Outdoor School funds, and the delay of major capital projects. E&G fund balances decline as those reserves are spent out, then start to grow as international enrollments stabilize.

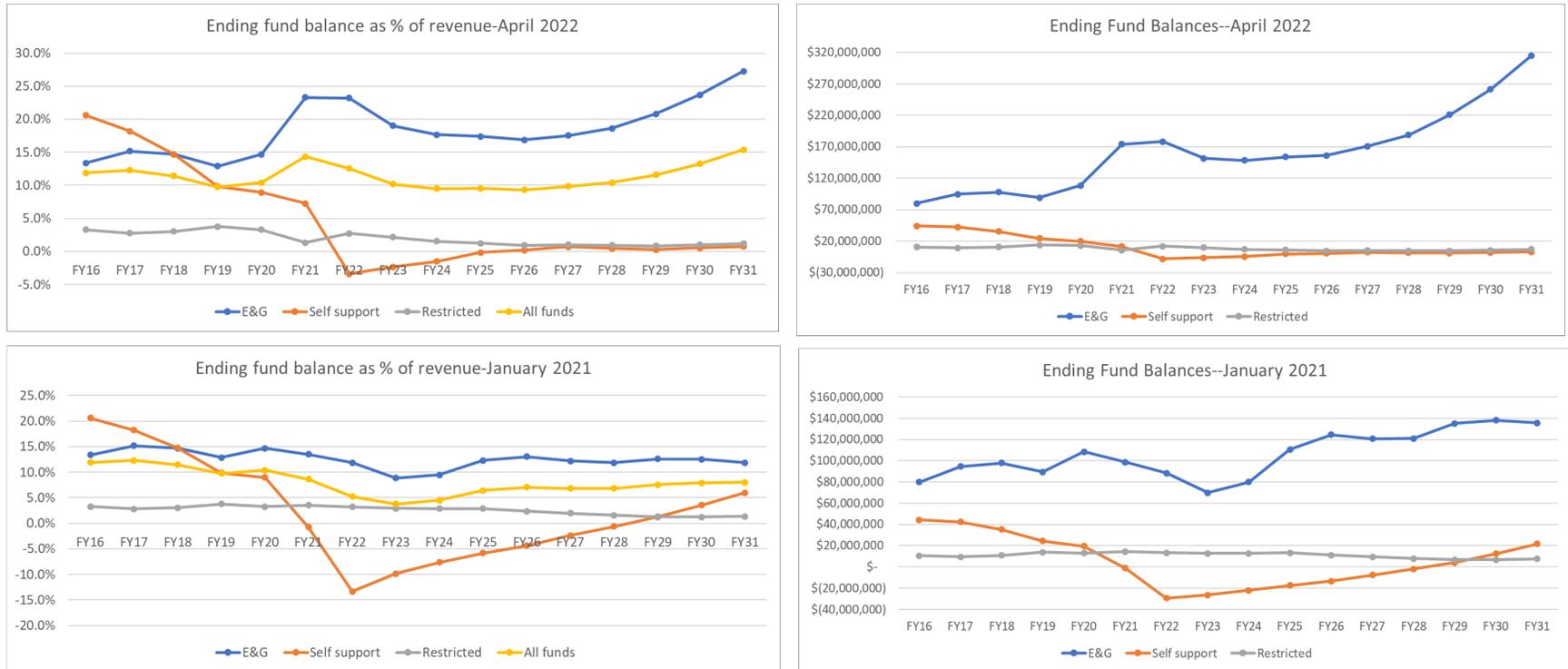


Figure 6: Revenue and operating margin for major self-support units for selected years. Solid lines are current projections, dotted lines are the forecasts from January 2021. Top: Athletics projected total revenues (orange) and annual operating margins (blue, total revenues less expenses excluding depreciation). Bottom: UHDS projected total revenues (orange) and annual operating margins (blue, total revenues less expenses excluding depreciation).

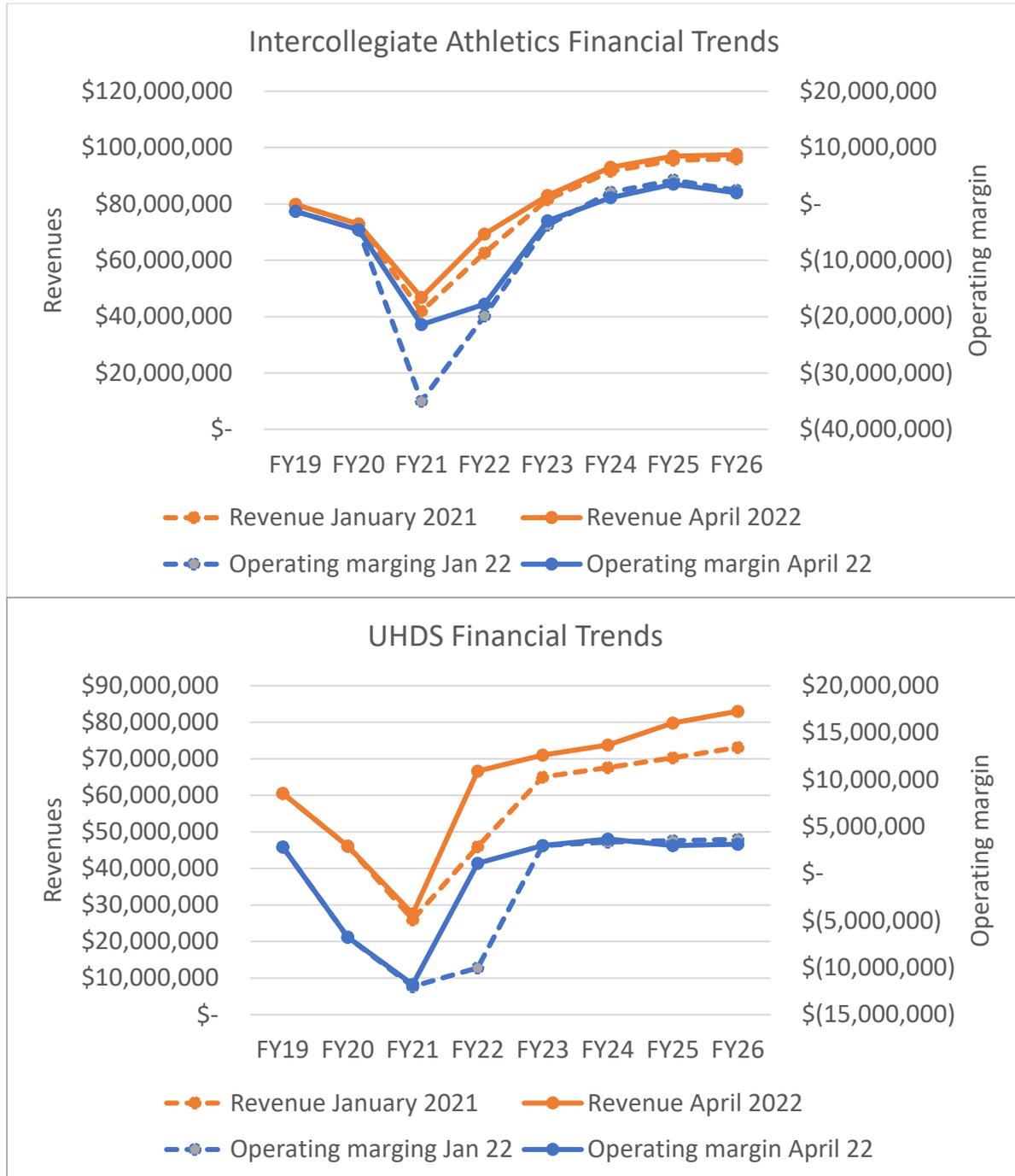


Figure 7: Principal financial metrics from FY17 projected through FY32. These are based on the ten-year forecast structure updated to actual results for FY21, known changes, and projected trends for FY22 and FY23. Horizontal lines show Board approved preferred limits (green stronger results, blue weaker results).

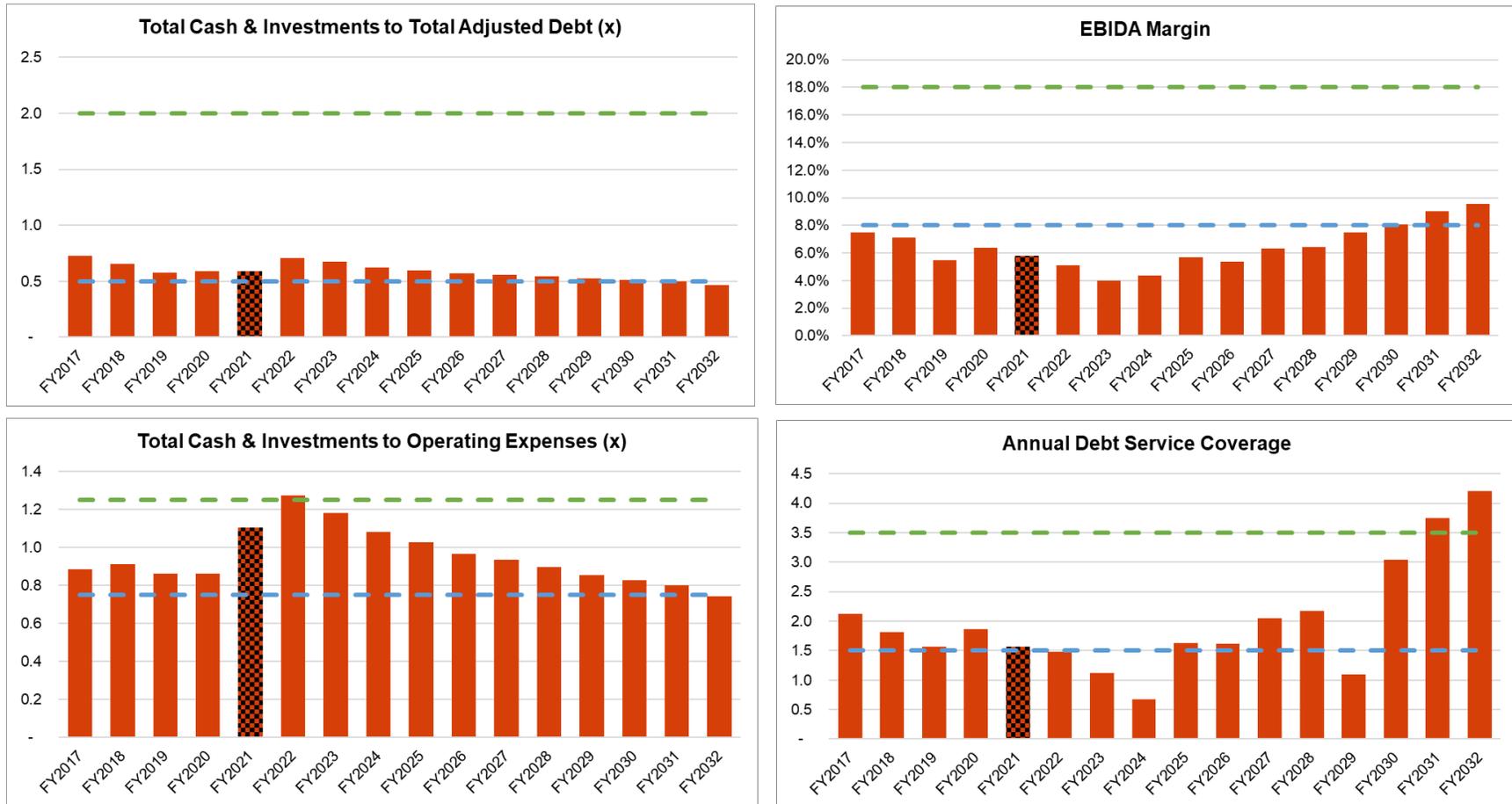


Table 3: Fiscal Year 2022-2031 Capital Forecast for Corvallis and Newport (Education & General)

| 2021-2031 OSU Capital Forecast | | | | | Projects funded in previous biennia and approved by the Board through the Stage Gate process do not appear on this forecast. | | | | | |
|--|------|------|------------------|-------------------------------|--|----------------|----------------|--------------------|--------------|----------------------------|
| OSU Corvallis/Newport Major Capital Projects | | | | | Sources of funds (\$M) | | | | | |
| Project name | GKSF | FCA | DM removed (\$M) | Total forecasted budget (\$M) | State-paid Bonds | State-paid CIR | OSU-paid bonds | Pledged gift funds | E&G CIR | Gifts, Partnerships, Other |
| 2021-2023 | | | | | | | | | | |
| Cordley Hall East | 134 | 2.67 | 49.00 | 82.60 | 70.60 | 5.00 | 7.00 | - | - | - |
| Gilkey Hall Interior Renovation | 22 | 2.99 | 4.00 | 7.40 | 3.00 | 2.40 | 2.00 | - | - | - |
| HMSC Seawater Infrastructure Renewal | N/A | N/A | 3.00 | 5.60 | - | 0.60 | 5.00 | - | - | - |
| LaSells Stewart Center Mechanical & Roof Renewal | N/A | N/A | 7.70 | 8.80 | - | 8.00 | - | - | 0.80 | - |
| Milam Hall Roof, Seismic & RTU Renewal | N/A | N/A | 5.00 | 5.30 | - | 4.30 | - | - | 1.00 | - |
| Ship Ops and HMSC Dock and Operations | N/A | N/A | 3.00 | 7.00 | - | - | 7.00 | - | - | - |
| Valley Library Roof Replacement | N/A | N/A | 5.90 | 6.75 | - | 6.00 | - | - | - | 0.75 |
| West Greenhouse Expansion (vacates East Greenhouse) | TBD | N/A | 12.00 | 6.20 | - | 1.50 | - | - | 4.30 | 0.40 |
| Withycombe Hall East & West (Oregon Dairy Products) Renovation | 80 | 2.58 | 17.00 | 51.00 | 3.00 | - | 27.00 | - | 18.00 | 3.00 |
| Total | | | 106.60 | 180.65 | 76.60 | 27.80 | 48.00 | - | 24.10 | 4.15 |
| 2023-2025 | | | | | | | | | | |
| Collaborative Innovation Complex - Weniger Removal | 150 | 2.62 | 70.00 | 166.00 | 75.00 | - | - | - | 16.00 | 75.00 |
| Heat Plant Repurpose-Benton Place Infrastructure | 50 | 2.00 | 35.00 | 48.00 | - | 5.00 | 20.00 | - | 23.00 | - |
| HMSC Building 900 Renewal | 38 | 2.80 | 5.00 | 5.00 | - | 5.00 | - | - | - | - |
| Plageman Repurpose | 27 | 2.90 | 8.00 | 18.00 | - | - | 8.00 | - | 10.00 | - |
| Research Computing Data Center | N/A | N/A | N/A | 5.00 | - | - | 5.00 | - | - | - |
| Total | | | 118.00 | 242.00 | 75.00 | 10.00 | 33.00 | - | 49.00 | 75.00 |
| 2025-2027 | | | | | | | | | | |
| Gilbert, Gleeson, Gilbert Addition Renewal | 122 | 2.68 | 54.00 | 100.00 | 70.00 | - | 10.00 | - | 20.00 | - |
| Total | | | 54.00 | 100.00 | 70.00 | - | 10.00 | - | 20.00 | - |
| 2027-2029 | | | | | | | | | | |
| Campus Way Infrastructure Renewal | N/A | N/A | 9.00 | 14.00 | - | 13.00 | - | - | 1.00 | - |
| Dairy Center Modernization | N/A | N/A | 5.00 | 16.00 | - | - | - | - | - | 16.00 |
| Engineering Triangle Renewal (Dear, Rog, Bat, Cov) | 177 | 2.65 | 52.00 | 100.00 | 50.00 | - | - | - | - | 50.00 |
| Gladys Valley Building (former gymnastics) Renovation | 16 | 2.85 | 6.70 | 20.00 | 15.00 | - | - | - | 5.00 | - |
| Plant Science Innovation Center (East GH Repl) | 28 | 2.00 | 20.00 | 30.00 | 15.00 | - | - | - | - | 15.00 |
| Total | | | 92.70 | 180.00 | 80.00 | 13.00 | - | - | 6.00 | 81.00 |
| 2029-2031 | | | | | | | | | | |
| Community Hall Renovation | 24 | 2.56 | 13.00 | 24.00 | 10.00 | - | - | - | 14.00 | - |
| Kerr Admin Seismic Strengthening | 131 | 2.05 | 7.00 | 13.00 | - | - | 7.00 | - | - | 6.00 |
| Mc Alexander Fieldhouse North (ROTC) Renewal | 20 | 2.45 | 12.00 | 18.00 | - | 2.00 | - | - | 16.00 | - |
| Pharmacy Building Renewal | 41 | 2.57 | 13.00 | 43.00 | 30.00 | - | 10.00 | - | 3.00 | - |
| Snell Demolition/Site Restore | 70 | 2.96 | 7.00 | 12.00 | - | - | - | - | 6.00 | 6.00 |
| Total | | | 52.00 | 110.00 | 40.00 | 2.00 | 17.00 | - | 39.00 | 12.00 |

* Cost are escalated at 5% per year based on 2022 estimates

April 7-8, 2022 Board of Trustees Meetings

Table 4: Fiscal Year 2022-2031 Capital Forecast for Corvallis and Newport (University Housing & Dining)

| 2021-2031 OSU Capital Forecast | | | | | Projects funded in previous biennia and approved by the Board through the Stage Gate process do not appear on this forecast. | | | | | |
|---|-------------|------------|-------------------------|--------------------------------------|--|-----------------------|-----------------------|---------------------------|--------------------|-----------------------------------|
| University Housing and Dining Services & Student Affairs | | | | | Sources of funds (\$M) | | | | | |
| Project name | GKSF | FCA | DM removed (\$M) | Total forecasted budget (\$M) | State-paid Bonds | State-paid CIR | OSU-paid bonds | Pledged gift funds | E&G CIR | Gifts, Partnerships, Other |
| 2021-2023 | | | | | | | | | | |
| Upper Division and Grad Student Housing | 90 | N/A | N/A | 50.00 | - | - | 50.00 | - | - | - |
| Newport Housing | 20 | N/A | N/A | 16.50 | - | - | 10.00 | - | - | 6.50 |
| Azalea Child Care Center Completion | N/A | N/A | N/A | 5.00 | - | - | 5.00 | - | - | - |
| Memorial Union Deferred Maintenance | N/A | N/A | 10.00 | 10.00 | - | - | - | - | - | 10.00 |
| Rec Sports Deferred Maintenance | N/A | N/A | 10.00 | 10.00 | - | - | - | - | - | 10.00 |
| Total | | | 20.00 | 91.50 | - | - | 65.00 | - | - | 26.50 |
| 2023-2025 | | | | | | | | | | |
| No Projects Planned | N/A | N/A | 0.00 | - | - | - | - | - | - | - |
| Total | | | 0.00 | 0.00 | - | - | - | - | - | - |
| 2025-2027 | | | | | | | | | | |
| Residence Hall Replacement #1 | N/A | N/A | 40.00 | 106.60 | - | - | - | - | - | 106.60 |
| Memorial Union Envelope and Accessibility | N/A | N/A | 10.00 | 10.00 | - | - | - | - | - | 10.00 |
| Total | | | 50.00 | 116.60 | - | - | - | - | - | 116.60 |
| 2027-2029 | | | | | | | | | | |
| Residence Hall/Dining Center Complex #2 | N/A | N/A | 60.00 | 151.10 | - | - | - | - | - | 151.10 |
| Memorial Union Deferred Maintenance | N/A | N/A | 7.00 | 7.00 | - | - | - | - | - | 7.00 |
| Total | | | 67.00 | 158.10 | - | - | - | - | - | 158.10 |
| 2029-2031 | | | | | | | | | | |
| Rec Sports Deferred Maintenance | N/A | N/A | 7.00 | 7.00 | - | - | - | - | - | 7.00 |
| Total | | | 7.00 | 7.00 | - | - | - | - | - | 7.00 |
| * Cost are escalated at 5% per year based on 2022 estimates | | | | | | | | | | |

April 7-8, 2022 Board of Trustees Meetings

Table 5: Fiscal Year 2022-2031 Capital Forecast for Corvallis and Newport (Athletics)

| 2021-2031 OSU Capital Forecast Athletics | | | | | Projects funded in previous biennia and approved by the Board through the Stage Gate process do not appear on this forecast. | | | | | |
|---|------|-----|------------------|-------------------------------|--|----------------|----------------|--------------------|----------|----------------------------|
| Project name | GISF | FCA | DM removed (\$M) | Total forecasted budget (\$M) | Sources of funds (\$M) | | | | | |
| | | | | | State-paid Bonds | State-paid CIR | OSU-paid bonds | Pledged gift funds | E&G CIR | Gifts, Partnerships, Other |
| 2021-2023 | | | | | | | | | | |
| Reser Stadium West Grandstands | TBD | N/A | 70.00 | 160.80 | - | - | 68.00 | 91.40 | - | 1.40 |
| Reser Stadium Video Board | TBD | N/A | N/A | 5.90 | - | - | - | 0.70 | - | 5.20 |
| Whyte Track and Field Grandstands | TBD | N/A | N/A | 7.00 | - | - | 1.20 | 3.50 | - | 2.30 |
| Total | | | 70.00 | 173.70 | - | - | 69.20 | 95.60 | - | 8.90 |
| 2023-2025 | | | | | | | | | | |
| Field Sports Building | N/A | N/A | N/A | 14.50 | - | - | - | - | - | 14.50 |
| Total | | | 0.00 | 14.50 | - | - | - | - | - | 14.50 |
| 2025-2027 | | | | | | | | | | |
| Gill Coliseum Basement | N/A | N/A | N/A | 10.00 | - | - | - | - | - | 10.00 |
| Gill Coliseum Concourse | N/A | N/A | N/A | 12.90 | - | - | - | - | - | 12.90 |
| Leadership Center | N/A | N/A | N/A | 20.40 | - | - | - | - | - | 20.40 |
| Total | | | 0.00 | 43.30 | - | - | - | - | - | 43.30 |
| 2027-2029 | | | | | | | | | | |
| Goss Stadium Addition | N/A | N/A | N/A | 5.00 | - | - | - | - | - | 5.00 |
| Softball Build-Out | N/A | N/A | N/A | 5.00 | - | - | - | - | - | 5.00 |
| Total | | | 0.00 | 10.00 | - | - | - | - | - | 5.00 |
| 2029-2031 | | | | | | | | | | |
| No Projects Planned | N/A | N/A | N/A | - | - | - | - | - | - | - |
| Total | | | 0.00 | 0.00 | - | - | - | - | - | 0.00 |

Table 6: Fiscal Year 2022-2031 Capital Forecast for Corvallis and Newport (Minor Projects)

| 2021-2031 OSU Capital Forecast | | | | | | | | | | | |
|---|--------------|------|-----|------------------|-------------------------------|------------------------|----------------|----------------|--------------------|-------------|----------------------------|
| Minor Capital | | | | | | Sources of funds (\$M) | | | | | |
| Project name | Project type | GKSF | FCA | DM removed (\$M) | Total forecasted budget (\$M) | State-paid Bonds | State-paid CIR | OSU-paid bonds | Pledged gift funds | E&G CIR | Gifts, Partnerships, Other |
| 2021-2023 | | | | | | | | | | | |
| CIR Systems Renewal | Renovation | N/A | N/A | 23.00 | 23.00 | - | 20.00 | - | - | 3.00 | - |
| E&G AES (State Wide) | Renovation | N/A | N/A | 2.10 | 2.10 | - | 2.10 | - | - | - | - |
| Richardson Hall Mechanical Renewal | Renovation | N/A | N/A | 5.00 | 5.00 | - | 5.00 | - | - | - | - |
| Corvallis Campus Carbon Neutrality Projects | Renovation | N/A | N/A | N/A | 5.00 | - | - | 5.00 | - | - | - |
| Corvallis Campus Electrical Infrastructure Improvements | Renovation | N/A | N/A | N/A | 3.00 | - | - | 3.00 | - | - | - |
| UHDS | Renovation | N/A | N/A | N/A | 6.00 | - | - | - | - | - | 6.00 |
| Student Affairs | Renovation | N/A | N/A | N/A | 4.00 | - | - | - | - | - | 4.00 |
| Pride Center Improvement & Expansion | Renovation | N/A | N/A | N/A | 3.50 | - | - | - | - | - | 3.50 |
| Athletics | Renovation | N/A | N/A | N/A | 5.00 | - | - | - | 5.00 | - | - |
| Total | | | | 30.10 | 56.60 | - | 27.10 | 8.00 | 5.00 | 3.00 | 13.50 |
| 2023-2025 | | | | | | | | | | | |
| CIR Systems Renewal | Renovation | N/A | N/A | 9.70 | 9.70 | - | 6.20 | - | - | 3.50 | - |
| E&G AES (State Wide) | Renovation | N/A | N/A | 2.10 | 2.10 | - | 2.10 | - | - | - | - |
| Crop Science Mechanical Renewal | Renovation | N/A | N/A | 5.00 | 5.00 | - | 5.00 | - | - | - | - |
| Kelley Engineering Chiller Replacement - DUP Conversion | Renovation | N/A | N/A | 5.00 | 5.00 | - | 5.00 | - | - | - | - |
| McAlexander Field House Roof and Shell | Renovation | N/A | N/A | 5.00 | 5.00 | - | 5.00 | - | - | - | - |
| Corvallis Campus Electrical Infrastructure Improvements | Renovation | N/A | N/A | N/A | 5.00 | - | - | 5.00 | - | - | - |
| Corvallis Campus Carbon Neutrality Projects | Renovation | N/A | N/A | N/A | 2.00 | - | - | 2.00 | - | - | - |
| UHDS | Renovation | N/A | N/A | N/A | 7.00 | - | - | - | - | - | 7.00 |
| Student Affairs | Renovation | N/A | N/A | N/A | 4.00 | - | - | - | - | - | 4.00 |
| Athletics | Renovation | N/A | N/A | N/A | 5.00 | - | - | - | 5.00 | - | - |
| Total | | | | 26.80 | 49.80 | - | 23.30 | 7.00 | 5.00 | 3.50 | 11.00 |
| 2025-2027 | | | | | | | | | | | |
| CIR Systems Renewal | Renovation | N/A | N/A | 53.00 | 17.70 | - | 13.70 | - | - | 4.00 | - |
| E&G AES (State Wide) | Renovation | N/A | N/A | 2.10 | 2.10 | - | 2.10 | - | - | - | - |
| Magruder Hall Mechanical Replacement | Renovation | N/A | N/A | 5.00 | 5.00 | - | 5.00 | - | - | - | - |
| Valley Library Mechanical Replacement | Renovation | N/A | N/A | 5.00 | 5.00 | - | 5.00 | - | - | - | - |
| UHDS | Renovation | N/A | N/A | N/A | 8.00 | - | - | - | - | - | 8.00 |
| Student Affairs | Renovation | N/A | N/A | N/A | 5.00 | - | - | - | - | - | 5.00 |
| Athletics | Renovation | N/A | N/A | N/A | 5.00 | - | - | - | 5.00 | - | - |
| Total | | | | 65.10 | 47.80 | - | 25.80 | - | 5.00 | 4.00 | 13.00 |

April 7-8, 2022 Board of Trustees Meetings

Table 6: Fiscal Year 2022-2031 Capital Forecast for Corvallis and Newport (Minor Projects) – Continued

| 2021-2031 OSU Capital Forecast | | | | | | | | | | | |
|--|--------------|------|-----|------------------|-------------------------------|------------------------|----------------|----------------|--------------------|-------------|----------------------------|
| Minor Capital - <i>continued</i> | | | | | | Sources of funds (\$M) | | | | | |
| Project name | Project type | GKSF | FCA | DM removed (\$M) | Total forecasted budget (\$M) | State-paid Bonds | State-paid CIR | OSU-paid bonds | Pledged gift funds | E&G CIR | Gifts, Partnerships, Other |
| 2027-2029 | | | | | | | | | | | |
| CIR Systems Renewal | Renovation | N/A | N/A | 34.00 | 23.20 | - | 18.70 | - | - | 4.50 | - |
| E&G AES (State Wide) | Renovation | N/A | N/A | 2.10 | 2.10 | - | 2.10 | - | - | - | - |
| UHDS | Renovation | N/A | N/A | N/A | 9.00 | - | - | - | - | - | 9.00 |
| Student Affairs | Renovation | N/A | N/A | N/A | 5.00 | - | - | - | - | - | 5.00 |
| Athletics | Renovation | N/A | N/A | N/A | 5.00 | - | - | - | 5.00 | - | - |
| Total | | | | 36.10 | 44.30 | - | 20.80 | - | 5.00 | 4.50 | 14.00 |
| 2029-2031 | | | | | | | | | | | |
| CIR Systems Renewal | Renovation | N/A | N/A | 53.00 | 33.70 | - | 28.70 | - | - | 5.00 | - |
| E&G AES (State Wide) | Renovation | N/A | N/A | 2.10 | 2.10 | - | 2.10 | - | - | - | - |
| Corvallis Campus Electrical Infrastructure Improvements | Renovation | N/A | N/A | 0.00 | 5.00 | - | - | 5.00 | - | - | - |
| UHDS | Renovation | N/A | N/A | N/A | 10.00 | - | - | - | - | - | 10.00 |
| Student Affairs | Renovation | N/A | N/A | N/A | 6.00 | - | - | - | - | - | 6.00 |
| Athletics | Renovation | N/A | N/A | N/A | 5.00 | - | - | - | 5.00 | - | - |
| Total | | | | 55.10 | 61.80 | - | 30.80 | 5.00 | 5.00 | 5.00 | 16.00 |
| <i>* Cost are escalated at 5% per year based on 2022 estimates</i> | | | | | | | | | | | |

Table 7: Fiscal Year 2022-2031 Capital Forecast for OSU-Cascades (Education & General)

| 2021-2031 OSU Capital Forecast | | | | | <small>Projects funded in previous biennia and approved by the Board through the Stage Gate process do not appear on this forecast.</small> | | | | | |
|--|------|-----|------------------|-------------------------------|---|----------------|----------------|--------------------|----------|----------------------------|
| OSU-Cascades Education and General Fund | | | | | Sources of funds (\$M) | | | | | |
| Project name | GKSF | FCA | DM removed (\$M) | Total forecasted budget (\$M) | State-paid Bonds | State-paid CIR | OSU-paid bonds | Pledged gift funds | E&G CIR | Gifts, Partnerships, Other |
| 2021-2023 | | | | | | | | | | |
| Student Success Center | 23 | N/A | N/A | 18.80 | 13.80 | - | 5.00 | - | - | - |
| Campus Maintenance Center | 20 | N/A | N/A | 7.50 | - | - | - | - | - | 7.50 |
| Total | | | 0.00 | 26.30 | 13.80 | - | 5.00 | - | - | 7.50 |
| 2023-2025 | | | | | | | | | | |
| Health Sciences and Recreation Center | 71 | N/A | N/A | 60.00 | 45.00 | - | 15.00 | - | - | - |
| Innovation District - Land Development | 71 | N/A | N/A | 34.00 | - | - | 24.00 | - | - | 10.00 |
| Total | | | 0.00 | 94.00 | 45.00 | - | 39.00 | - | - | 10.00 |
| 2025-2027 | | | | | | | | | | |
| Academic Building 3 | TBD | N/A | N/A | 56.40 | 28.90 | - | - | 12.00 | - | 15.50 |
| Total | | | 0.00 | 56.40 | 28.90 | - | - | 12.00 | - | 15.50 |
| 2027-2029 | | | | | | | | | | |
| No Projects Planned | N/A | N/A | N/A | - | - | - | - | - | - | - |
| Total | | | 0.00 | - | - | - | - | - | - | - |
| 2027-2029 | | | | | | | | | | |
| Academic Building 4 | 28 | N/A | N/A | 39.20 | 19.60 | - | - | 19.60 | - | - |
| Total | | | 0.00 | 39.20 | 19.60 | - | - | 19.60 | - | - |
| <small>* Cost are escalated at 5% per year based on 2022 estimates</small> | | | | | | | | | | |

Table 8: Fiscal Year 2022-2031 Capital Forecast for OSU-Cascades (Auxiliaries)

| 2021-2031 OSU Capital Forecast | | | | | Projects funded in previous biennia and approved by the Board through the Stage Gate process do not appear on this forecast. | | | | | |
|--|-------------|------------|-------------------------|--------------------------------------|---|-----------------------|-----------------------|---------------------------|--------------------|-----------------------------------|
| OSU-Cascades Auxiliaries | | | | | Sources of funds (\$M) | | | | | |
| Project name | GKSF | FCA | DM removed (\$M) | Total forecasted budget (\$M) | State-paid Bonds | State-paid CIR | OSU-paid bonds | Pledged gift funds | E&G CIR | Gifts, Partnerships, Other |
| 2021-2023 | | | | | | | | | | |
| No Projects Planned | N/A | N/A | N/A | - | - | - | - | - | - | - |
| Total | | | 0.00 | - | - | - | - | - | - | - |
| 2023-2025 | | | | | | | | | | |
| Early Learning Center + K-5 School | TBD | N/A | N/A | 37.00 | - | - | - | - | - | 37.00 |
| Row Housing - Mt. Wash | TBD | N/A | N/A | 22.70 | - | - | - | - | - | 22.70 |
| CascadesNZE Solar | TBD | N/A | N/A | 2.60 | - | - | 2.60 | - | - | - |
| Total | | | 0.00 | 62.30 | - | - | 2.60 | - | - | 59.70 |
| 2025-2027 | | | | | | | | | | |
| Innovation District - Partner Buildings 1 & 2 | TBD | N/A | N/A | 69.00 | - | - | - | - | - | 69.00 |
| Innovation District - Affordable Housing | TBD | N/A | N/A | 33.20 | - | - | - | - | - | 33.20 |
| Total | | | 0.00 | 102.20 | - | - | - | - | - | 102.20 |
| 2027-2029 | | | | | | | | | | |
| Innovation District - Partner Buildings 3 & 4 | TBD | N/A | N/A | 93.50 | - | - | - | - | - | 93.50 |
| Assembly Conference Center | TBD | N/A | N/A | 32.10 | - | - | - | - | - | 32.10 |
| Total | | | 0.00 | 125.60 | - | - | - | - | - | 125.60 |
| 2029-2031 | | | | | | | | | | |
| No Projects Planned | N/A | N/A | N/A | - | - | - | - | - | - | - |
| Total | | | 0.00 | - | - | - | - | - | - | - |
| <small>* Cost are escalated at 5% per year based on 2022 estimates</small> | | | | | | | | | | |

MAJOR ASSUMPTIONS OF THE FISCAL YEAR 2022-2032 TEN-YEAR BUSINESS FORECAST

The forecast is built from estimates of enrollment in major categories for all locations. It also assumes growth in staffing of faculty, academic staff, and support services, driven largely by growth in various types of enrollment. For the most part, the specific academic programs and administrative support units in which this growth will occur are not identified here, since the forecast is at the institutional level. However, the growth assumptions are based on anticipated student demand in selected programs, priorities in the strategic plan, and needed improvements in critical support services.

The following are the assumptions for the core scenario under each major fund category. *Synario* generates an operating summary for each of the three fund types. These are the general trend assumptions. In some years specific revenues or expenses have been adjusted to match known losses or increments outside the normal trends. This is particularly true for FY23 and FY24.

Operating funds

- Corvallis resident undergraduate enrollments grow by about 800 students by FY26 and follow demographic trends after that (Figure 2). Resident enrollments peak at about 14,280 in FY27 then decline to 14,190 in FY30. Resident enrollments are modelled relative to current forecasts of high school graduates and college-going rates among those graduates. OSU's policy will continue to be to admit every qualified Oregon resident that wants to attend OSU.
- Non-resident domestic undergraduate enrollments grow to 5,200 in FY24 (after three large incoming classes) and then increase by 50 students a year to a maximum of 5,600.
- International undergraduate enrollments decline through FY23 then grow at 50 students a year to 1,600 students (FY14 levels) in FY30 and remain there. The projected growth in all non-resident undergraduates in the forecast does still have resident enrollment at 67% or more of undergraduate enrollment in Corvallis.
- Graduate enrollments are forecast to grow relatively slowly from 3,800 in FY22 to about 4,200 in FY27 as international enrollments recover and then grow by 30 students a year through FY32. Enrollments in Pharmacy and Veterinary Medicine are flat after a final increase in the non-resident class in Veterinary Medicine in fall, 2020.
- Ecampus revenue growth is modeled by growth in use of Ecampus by campus students and growth in Ecampus only enrollments. Ecampus only enrollment growth continues at about 8% in FY23 then slows to under 5% by FY31. This assumes continued investment in program renewal and new program development.
- OSU-Cascades growth is modeled at an intermediate scenario, increasing to a little over 2,280 student headcount by FY30 with a student mix similar to that now (about 80% undergraduate and 80% Oregon residents).
- Tuition increases for resident undergraduates of 3.5%. This tries to set a rate recognizing slightly lower rates for continuing students, near rates of inflation but higher increases for new students.
- Non-resident undergraduate tuition increases at 3% per year (assumes increases over that would be partly offset by increased tuition discounting).
- Professional tuition increases of 3.5% to 4% depending on the year and residency.

FAC Agenda Item 5b - Attachment 2

- Graduate tuition increases of 1-3% annually for residents and 3.5% for non-residents.
- Ecampus tuition rates increase at 3% per year for all student categories. This reflects somewhat lower Ecampus increases because of market pressures.
- Institutional financial aid is estimated to grow to \$90M in FY24 (from \$42M in FY19), then increase at about 6.5% annually through FY27 then at about 5% annually through FY32.
- OSU-Cascades tuition rates increase at the same rates used for Corvallis.
- Capital projects impact the operating forecast for debt service, cash outlays, or operations and maintenance as detailed in the capital forecast.
- State funding increases at 2.5% per biennium. This is conservative but is the long-term average rate over the last 20 years, smoothing out highs and lows tracking economic activity to match the state appropriation distribution of 49% in the first year and 51% in the second. The same increases are assumed for Corvallis, OSU-Cascades and the SWPS.
- Student fees rates are assumed to increase at 1.7% per year in Corvallis and 3.3% per year at OSU-Cascades.
- Other major revenues (F&A recovery, federal and county appropriations, etc.) are assumed to increase 2% per year.
- Salary increases are modeled at 3.5% annually through FY24 then at 3% per year for unclassified staff and at 4.5% per year for classified staff. Graduate assistant and student salaries are modeled at 3.5% in FY24 and 4.4% to 5.6% thereafter (conservatively for increases in negotiated costs and state minimum wage changes)
- Benefits growth of 4% annually for health insurance, and at state-set rates for retirement, with larger increases in even fiscal years when PERS adopts new rates. The state rate-setting valuation is updated each odd year to establish employer contribution rates for the biennium beginning eighteen months later (i.e. rates effective July 2019 through June 2021 were based on a December 31, 2017 valuation date). The PERS rates are estimated including the impact of changes made in the 2019 legislative session. The rate estimates have higher rates starting in FY26 due to anticipated expiration of some parts of the legislative adjustments, as well as changes in existing pension obligation bonds, although the impact of these changes might not be realized until a later biennium.
- General inflation on goods and services of 3.5%, yielding aggregate local inflation of about 4% to 6% in years with large PERS increases and 3.0% to 3.5% in other years.

Capital forecast

- OSU-paid debt as outlined in the current Capital forecast, including debt paid by E&G funds and by self-supporting operations for revenue bonds or state XI-F bonds.
- Significant gift funding for all new academic building projects.
- Capital renewal funding that includes \$18.1M per biennia paid by the state, some minor capital projects funded from unit cash, and E&G-paid capital renewal funding (a mix of debt service and direct operating cash).
- State-paid debt of about \$57M per biennium for Corvallis projects (total of \$285M through FY30), though the distribution varies across biennia.
- Self-supporting projects paid entirely by private capital, revenue bonds or capital renewal funds (UHDS) or gift funds and state XI-F bonds (Athletics).

April 7-8, 2022 Board of Trustees Meetings

- Details are outlined in Tables 3 through 8.

Other issues affecting the financial statements

- PERS liability. The state annually assigns OSU a portion of any changes in the PERS liability. Updates for actual investment returns, member census data, and financial information; and variable factors such as statute changes, long-term expected rate of return assumptions, inflation rate, discount rate, projected salary increase assumptions, and demographic assumptions such as expected mortality are made to adjust the current net position. The pool values are allocated to OSU and are recorded accordingly in the financial statements. This is one of the areas of significant uncertainty in projecting the financial statements.
- PERS side account. The forecast includes OSU funding of a \$10M side account that received \$2.2M in matching state funding that reduced retirement rates for ten years beginning in December 2020.
- Changes in accounting standards. Changes in accounting requirements (as with the impact of GASB standards 68, 71, and 75 on pension liability reporting) can change the university's financial position.