



Oregon State
University

The Board of Trustees of Oregon State University

Regular Meeting of the Finance & Administration Committee

April 7, 2022

12:30 pm – 4:30 pm

Horizon Room, Memorial Union Room 049

Corvallis, Oregon

MINUTES

Committee Members Present: Patty Bedient, Rani Borkar, Darry Callahan (chair), Susan Clark, Mike Green (*ex officio*) Roman Hernández (vice-chair), Jax Richards, Kirk Schueler (*ex officio*),

Other Trustees Present: Maria Chávez-Haroldson, Michele Longo Eder, Becky Johnson (*ex officio*), Julie Manning, Preston Pulliams

University Staff Present: Jackie Bangs, Sherm Bloomer, Penny Burgess, Becca Gose, Brigitte Graham, Mike Green, Heather Hesano, Jen Humphreys, Geoff Nolan, Paul Odenthal, Melanie Rose, Heidi Sann, Patty Snopkowski

Other Guests: Geoff Nolan (Senior Investment Officer for the Oregon State Treasury), John Lutkehaus (Investment Officer for the Oregon State Treasury) and Bethany Jessen (Institutional Portfolio Manager -RBC Global Asset Management)

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

Chair Callahan called the meeting to order at 12:30 p.m. and asked Board Secretary Jackie Bangs to take roll call. A quorum was noted.

2. Vice President for Finance and Administration's Report (12:32 p.m.)

Vice President for Finance and Administration, Mike Green, began by sharing that he would cover three topics in his report: the results from 2022 legislative session and preparations for 2023 session, unspent bond proceeds allocated to capital projects, and an update on the Corvallis Campus Vision. Green shared that the legislature allocated an additional \$30M in capital funding to the deferred maintenance pool that is distributed to all Oregon public universities in response to a combined request for funding for cost escalations occurring with many capital projects. Green explained that the legislature chose to provide additional general funds for deferred maintenance, instead of funding specific projects. Green said OSU will receive approximately \$11M of the \$30M allocation. Green said the legislature also approved funding for two new capital projects at OSU - \$6.5M to help fund new housing at Hatfield Marine Science Center and \$10M to help fund mitigation of the former landfill and develop infrastructure and support of an innovation district at OSU-Cascades. Green said that for the 2023 legislative session, OSU is developing two HECC requests – a capital funding request and a request for operating funds. Green said Oregon's public universities are in the process of collaborating on a consolidated funding request (CFR) for operating needs. Green then described what will be included in the CFR, including funding for the Strong Start programs, programs that

help close the achievement gaps for traditionally underserved students and additional funding for the Oregon Opportunity Grant financial aid program.

Green noted that several capital projects funded by bond proceeds have been completed under budget, for a combined under budget amount of \$7.4M.

Green then spoke about the university's Corvallis Campus Vision which is about the university's aspirations for the Corvallis campus' physical environment over the next 10 years. Green said that the vision takes a holistic view of development on campus and affirms that use of space will continue to be welcoming, inspiring, sustainable, flexible and in support of learning and research. Green then went on to describe some of the strategies employed in the plan and provided examples of specific projects that are aligned with the vision. Trustee Callahan asked about how the vision will be funded. Green said that it is a planning document that will inform OSU's approach to projects, that then go through the normal scheduling, budgeting and approval processes.

Discussion then occurred about changes to capital projects that occur after the Board has approved them in terms of cost or scope and whether those projects come back to the Board for another approval. Green explained that staff will propose updates to the Board's policy for approving capital projects, including addressing scope changes, at a future meeting.

3. Consent Agenda

- a. Minutes of the January 27, 2022 Finance & Administration Committee Meeting
- b. FY2022 Q2 Operating Management Report
- c. FY2022 Q2 Investment Reports
- d. Capital Project Stage Gate II Approval: Milam Hall Roof, Seismic and Rooftop Unit Renewal
- e. Capital Project Change to Approved Budget: HMSC Seawater System Renewal

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

4. Discussion Item

- a. Investment Strategy (12:47 p.m.)

Callahan began by noting that at the last meeting there were questions about OSU's investment policy, which is the reason for this item to be on today's agenda. Heather Hesano, Director of Treasury, began by sharing that Geoff Nolan, Senior Investment Officer, and John Lutkehaus, Investment Officer for the Oregon State Treasury and Bethany Jessen, the Institutional Portfolio Manager from RBC Global Asset Management were present to provide information about the market. Hesano then provided information about OSU's investment strategies and goals for the portfolio, and how they meet the university's defined objectives. Penny Burgess, Executive Director of USSE, then provided an overview of OSU's fixed income portfolios. Burgess explained that the Public University Fund (PUF) is an investment pool administered by OSU on behalf of all Oregon public universities. Burgess said that six of the seven Oregon public universities invest in the PUF, including OSU. Burgess talked about the overall investment objective, OSU's investment objectives and spoke about how the funds are invested.

Lutkehaus then provided an overview of the fixed income market and his management of the PUF. Conversation took place about asset allocation and related strategy.

5. Action Items (1:21 p.m.)

a. Public University Fund Investment Policy Amendments

Callahan began by reiterating that OSU is the state's designated Public University Fund (PUF) administrator. Penny Burgess, Executive Director of the University Shard Services Enterprise (USSE), began by stating that two updates are proposed – a proposal to expand the universe of allowable credit rating agencies used by the investment officers for due diligence to include all nationally recognized statistical rating organizations (NRSRO's), which are certified by the Securities and Exchange Commission; and a proposal to explicitly describe OSU's communication expectations when the Oregon State Treasury is considering material investment strategy or organizational changes associated with the investments.

A motion was made and seconded to approve the Public University Fund Investment Policy Amendments. The motion carried.

b. Ten-Year Business Forecast

Mike Green, vice president for Finance and Administration and Paul Odenthal, Associate Vice President for Finance and Administration and Sherm Bloomer, OSU Budget Director provided an update to the Ten-Year Business Forecast, which helps identify long term trends in the university's finances. Green began by explaining what the forecast considers, including enrollment projections, tuition rates, institutional financial aid projections, inflation, employee benefits, salaries and operating and debt costs of new construction and renovation. Green then provided an overview of OSU's performance in 2021 based on several metrics, ratios and how they fell within the board's approved ranges. Green then discussed overall conclusions to be drawn relative to ratios. Odenthal then spoke about OSU's capital forecast, which is integrated into the overall business forecast. Odenthal began with an overview of the capital forecast process which includes an assessment of requirements, evaluation and prioritization, a review component, approval by the president and the acceptance by the Board. Odenthal said that the process is informed by the Infrastructure Working Group (IWG), which includes representation from across the university. Odenthal then shared information about significant projects, such as the Collaborative Innovation Complex. Bloomer spoke about the Ten-Year Business Forecast and shared that the forecast is a high-level, long-term view of the aggregate impact of near-term operating and capital decisions made in support of the university's strategic plan. Bloomer said one of the most important factors of the forecast is enrollment and spoke about enrollment forecast scenarios and their potential impacts on OSU's operations. Bloomer then spoke about funding sources including state funding, investments, self-support and anticipated revenues generally as well as in the context of the pandemic impacts.

A motion was made and seconded to approve to recommend the Ten-Year Business Forecast to the full Board for acceptance. The motion carried.

c. FY2023 Tuition Rates, Mandatory Fees & Student Incidental Fees.

including FY23 Operating Budget Outlook

Callahan began by noting that when the Board votes to increase tuition it strongly impacts students and that he recognizes how difficult it is for many people to afford a university education while at the same time recognizing the financial needs of keeping the university afloat. Green then said that tuition and fees are a key role in the university's financial planning strategy and ability to meet its mission. Green also reflected that the Board has expressed a desire to provide predictable tuition rates that allow students and families to better plan how to pay for college. Green said the university also has a desire to support students who have financial need through financial aid, which OSU has significantly increased over recent years. Green then discussed investment themes relative to tuition setting. Bloomer then spoke about the university's budget outlook for the next fiscal year and shared the tuition recommendations and the process that informed them, noting the dynamic nature of the process given the pandemic impacts. Bloomer provided an overview of revenues and expenses for the university, as well as three different potential staff recommendation scenarios based on projections in enrollment, expenses and inflation. Bloomer then shared the tuition recommendations, which include a tiered structure that applies a larger increase in tuition for new students and a lower increase for returning students. Bloomer noted that institutional financial aid to students has increased from \$42M prior to the pandemic to \$84M next year. Bloomer provided other tuition recommendations including differential tuition rates, graduate and professional degree rates, OSU-Cascades, mandatory fees and student incidental fees. Bloomer showed a model online tuition calculator being created for students that is anticipated to be available within a month and will replace the static tables currently used. Bloomer then spoke to rationale for the tuition recommendations, which included inflation rates and national benchmarking for higher education, noting that OSU's inflation in cost is driven largely by personnel costs. Trustees engaged in conversation with Bloomer to further understand the background, rationale, levers and impacts of the tuition recommendations.

A motion was made and seconded to approve recommending to the Board that it approve the resolution in Attachment 1 establishing the academic year 2022-23 and summer 2022 tuition and mandatory fees, at the rates documented in Attachment 1, Exhibit A. The motion carried.

d. Biennial Funding Request to HECC: Capital

Odenthal provided information to the Committee regarding the biennial funding request to the Higher Education Coordinating Commission (HECC), explaining that every biennium, OSU submits its capital project funding requests to the HECC, which were reviewed previously in this committee meeting. The HECC then prioritizes and submits a capital funding request to the governor for consideration in the governor's budget for the next session. Odenthal said that the Collaborative Innovation Complex (CIC) and the Health Sciences and Recreation Center at OSU-Cascades will be submitted for a combined total of \$120M in state funds request. Odenthal notes that while it is a large request, OSU is contributing \$106M in matching funds.

Callahan asked Odenthal to further explain what the HECC does with the requests and how the number of projects for submission are determined. Odenthal said that the HECC uses a points structure to assess submissions

provided by all seven public universities; it is built around the universities' prioritization of projects and alignment with HECC's priorities (i.e., staying within existing footprint rather than expanding). The Commission votes on the projects to send to the governor. Odenthal said that there is typically around \$300M allocated by the state for capital projects that is shared across the state.

A motion was made to recommend to the full Board that the capital request to HECC move forward. The motion was seconded and carried.

6. Discussion Item

a. ~~OSU Foundation Annual Update~~ *Moved to full Board of Trustees meeting on Apr. 8, 2022*

7. Other Business

Callahan asked the Board to bring to him, Bangs or Hernández anything they would like the FAC committee to hear about. Callahan said that he would like to bring more of the administrative side of the Finance and Administration unit as the committee hears about finance regularly.

8. Adjournment

With no further discussion, the meeting was adjourned at 3:47 p.m.

Respectfully submitted,

Jen Humphreys
Assistant Board Secretary