



Oregon State
University

FAC Agenda Item 4a

Ten-Year Business Forecast: FY2023-2034

**Finance & Administration Committee
April 13, 2023**



Goals for the Discussion

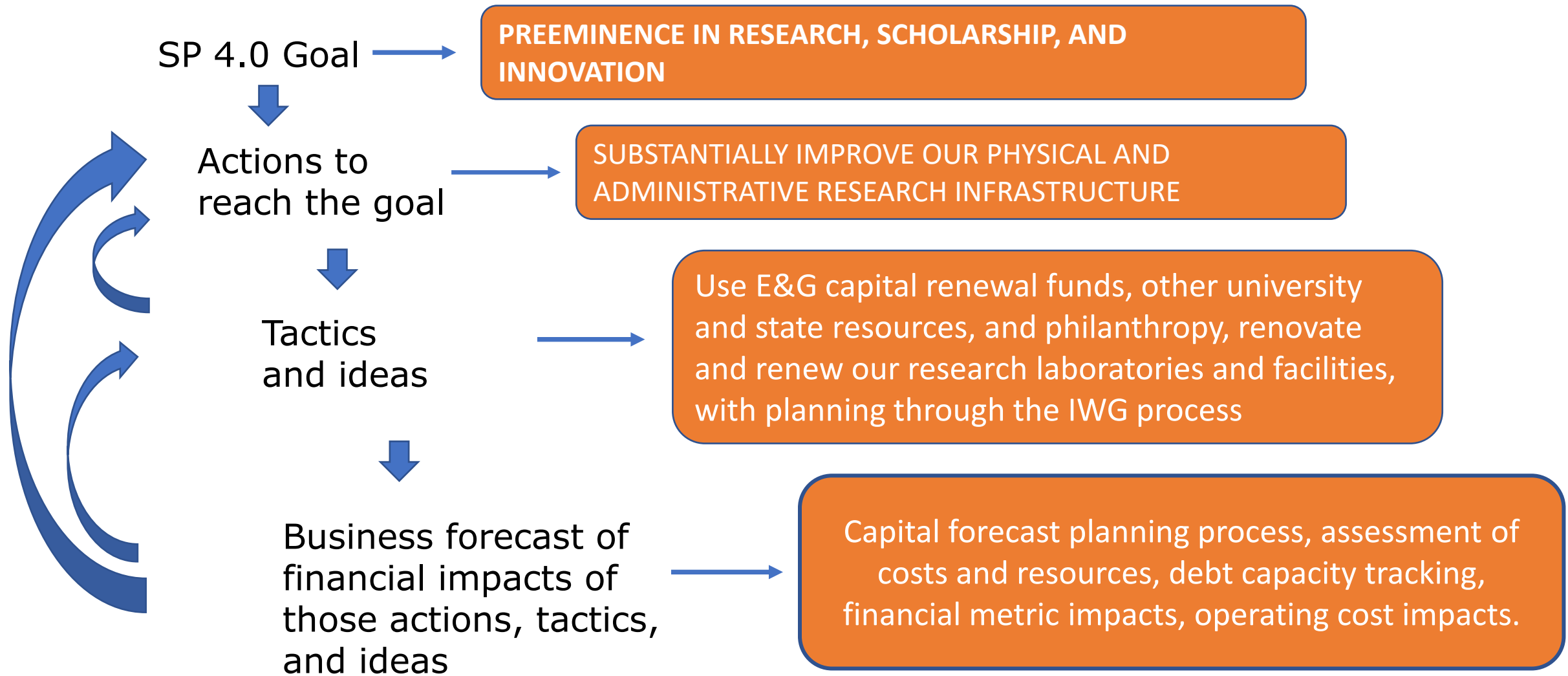
- Brief review of the ten-year forecast approach and connection to the strategic plan
- Review of major components of the ten-year capital forecast
- Highlights of the ten-year business forecast
 - Key assumptions
 - Fund projections
 - Enrollment scenarios
 - Financial statement metrics
- Next steps
- Questions

Ten-year Business Forecast—Approach

The Forecast is a long-term view of the aggregate impact of near-term operating and capital decisions made in support of the university's strategic plan

- Institutional level all-funds projection of revenues and expenses
- Informed by high-level impacts of initiatives (*financial aid strategies, large research project goals*) with financial impact
- Projected costs of ten-year capital forecast
- Average rates of expense and revenue increases (salary rates, tuition rates, etc.)
- Built from FY22 audited financial statements
- Projects financial information out ten years, with associated metrics
- Includes both operating statement and balance sheet views

Ten-year Business Forecast—Strategic Plan



Ten-year Business Forecast—Changes since Jan. 2022

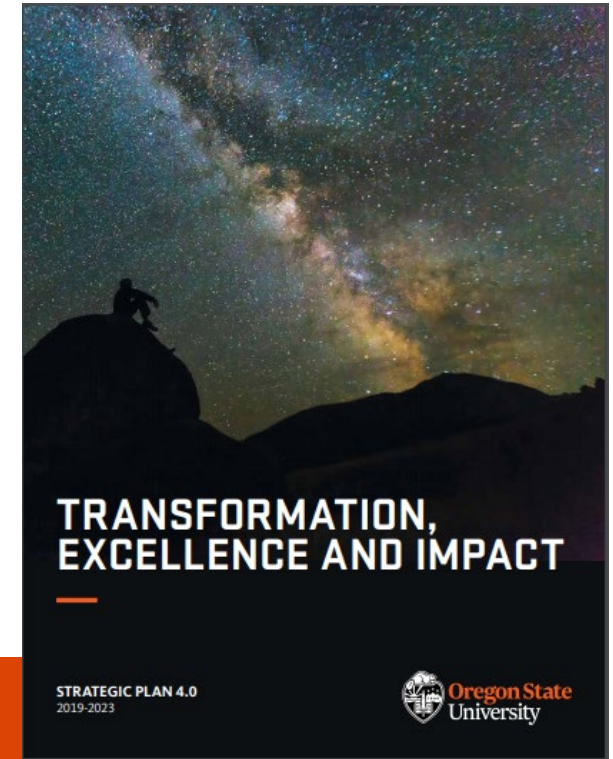
- Actual results for FY22 including impacts of federal relief funds
- Current projections for FY23 through FY33 for all funds
- Updated enrollment forecasts for changing patterns in undergraduate and international enrollments
- Included the significant increases in institutional financial aid awards
- Updated the capital forecast
- Reviewed and updated salary, benefit, tuition, enrollment and other rate changes as appropriate
- Modeled some alternate enrollment scenarios

Ten-Year Capital Forecast – Annual Update Process

Requirements Generation <ul style="list-style-type: none"> • President, Provost, and VPFA guidance • Facility Condition Assessments • Interview Deans and Departments • Update Recommendations to IWG 	Capital Planning and Development
Evaluation and Priority <ul style="list-style-type: none"> • Recommends forecast to Leadership 	Infrastructure Working Group (IWG)
Review	Provost, VPFA, SAVPA
Approval	President
Acceptance	Board of Trustees

Prioritization Principles

- Advance OSU's Strategic Plan
- Minimize Impact on Environmental and Financial Resources
- Cultivate a Safer, More Equitable, Accessible and Welcoming Environment
- Leverage Funding



Ten-year Capital Forecast Major Components – Jen-Hsun and Lori Huang Collaborative Innovation Complex

- 150,000 square feet
- Interdisciplinary innovation hub
- Will foster academic collaboration with research and industry: high-end computing, deep-modeling, AI, robotics and clean room materials characterization.
- Demolishes Weniger Hall and uses its site, reducing OSU's deferred maintenance backlog by \$70M.



Ten-year Capital Forecast Major Components – Jen-Hsun and Lori Huang Collaborative Innovation Complex

- A gifted supercomputer, will require around 1MW of electrical power. Energy will be harvested to heat the CIC, Plageman, Gilbert, Gleeson, Gilbert Addition and the Engineering Triangle.
- Signature research centers include the supercomputer, clean rooms, a cyber-physical playground, a virtual reality theater, maker spaces, wet and dry research labs.



Ten-year Capital Forecast – Significant Projects Underway

- Patricia Valian Reser Center for the Creative Arts
- Washington Way
- Cordley Hall East Renovation
- Reser Stadium West Grandstand and Community Health Center
- Gilkey Hall Renovation
- Withycombe Hall Renovation
- Upper Division and Graduate Student Housing
- Newport Housing
- OSU-Cascades Student Success Center
- OSU-Cascades Innovation District Land Preparation

Ten-year Capital Forecast – Significant Project Highlight

Heat Plant and Community Place

- Repurposes old Heat Plant building to become an (essentially) new physics education and research center with broad impacts on OSU's STEAM students.
- Project renews Community Place to improve accessibility, bike and pedestrian transportation and underground infrastructure, in alignment with the OSU Transportation Plan and Corvallis Campus Vision.
- Integrates with Washington Way improvements, the Center for the Creative Arts and Garden, and other infrastructure projects.



Ten-year Capital Forecast – Significant Project Highlight

OSU Cascades Health Sciences and Recreation Center

- Multi-purpose facility to support applied health instruction and on-campus student recreation year-round.
- Replaces current 1,762 square foot hotel-style fitness room with fitness facilities, an indoor court, locker rooms and flexible instructional spaces.
- Studies show a correlation between on-campus exercise, higher academic performance and higher retention in students—students will benefit from having what they consider to be a basic college campus amenity.



Ten-year Capital Forecast – Other Significant Projects: Near Future

Corvallis

- Plageman Student Health Center Repurpose
- Gleeson Hall Renovation
- Gladys Valley Center Renovation
- HMSC Building 900 Renewal
- Dearborn Hall Renovation
- Gilbert Hall Renovation

OSU Cascades

- Innovation District & Land Development
- Assembly Conference Center



OSU-Cascades Development

Ten-year Capital Forecast – Other Significant Projects: Near Future

Student Affairs

- Residence Hall and Dining Center Capacity Expansion and Renewal
- Deferred Maintenance projects in the Memorial Union and Recreational Sports facilities

Athletics

- Field Sport Building



Ten-year Capital Forecast – Impact

By funding category

State Paid Bonds	\$588M
State Paid CIR	\$198M
OSU Paid Bonds	\$375M
E&G CIR	\$249M
Gifts, Partnerships & Other Funds	<u>\$1,700M</u>
Total	\$3,110M

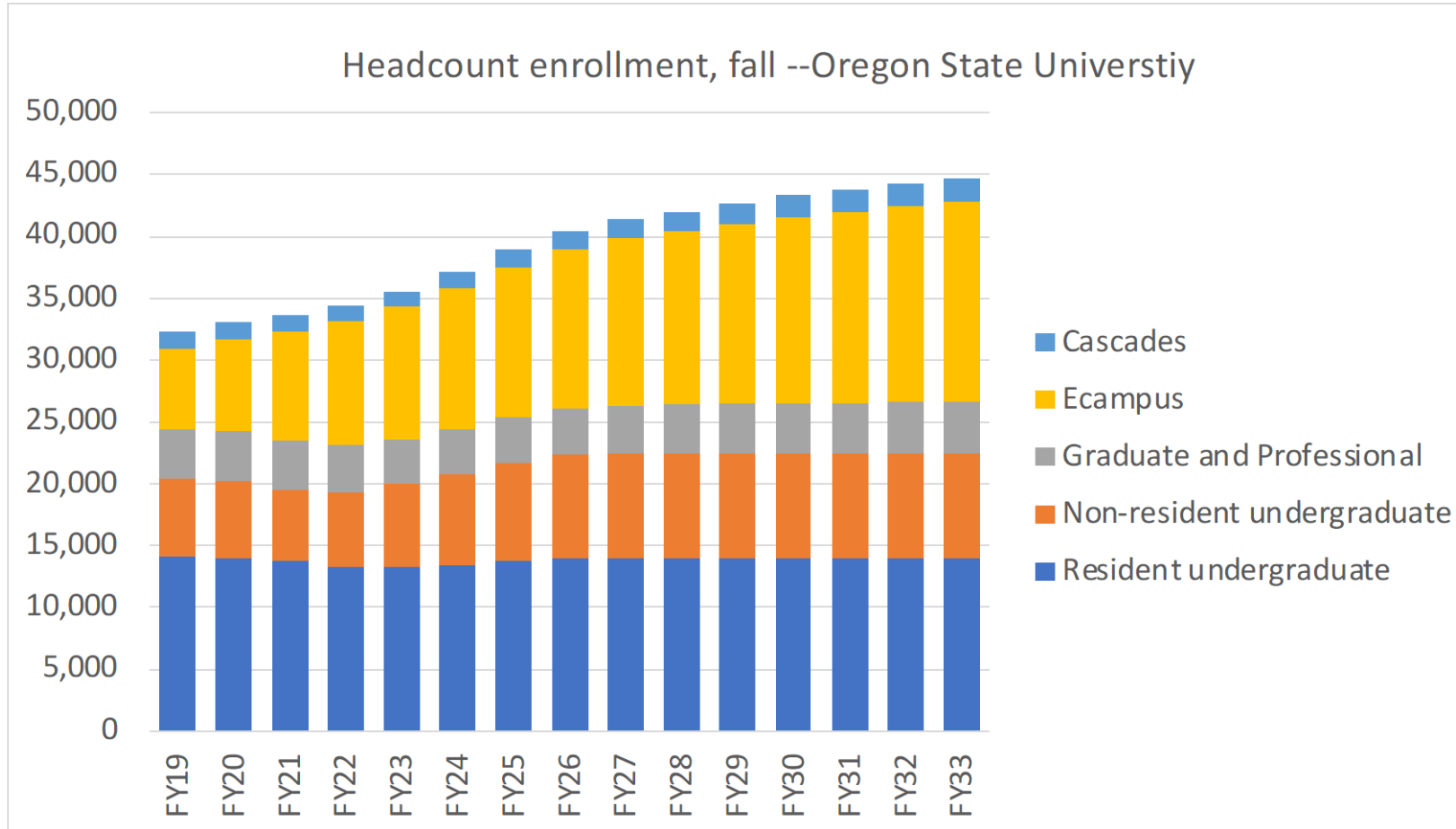
Building Space

OSU Corvallis (E&G)	
• New	190 KSF
• Renovation	780 KSF
• Demolition	281 KSF
• Footprint Reduction	121 KSF
• Deferred Maintenance Removed	≈\$780M
OSU Cascades (E&G)	
• New	186 KSF

KSF = thousand square feet

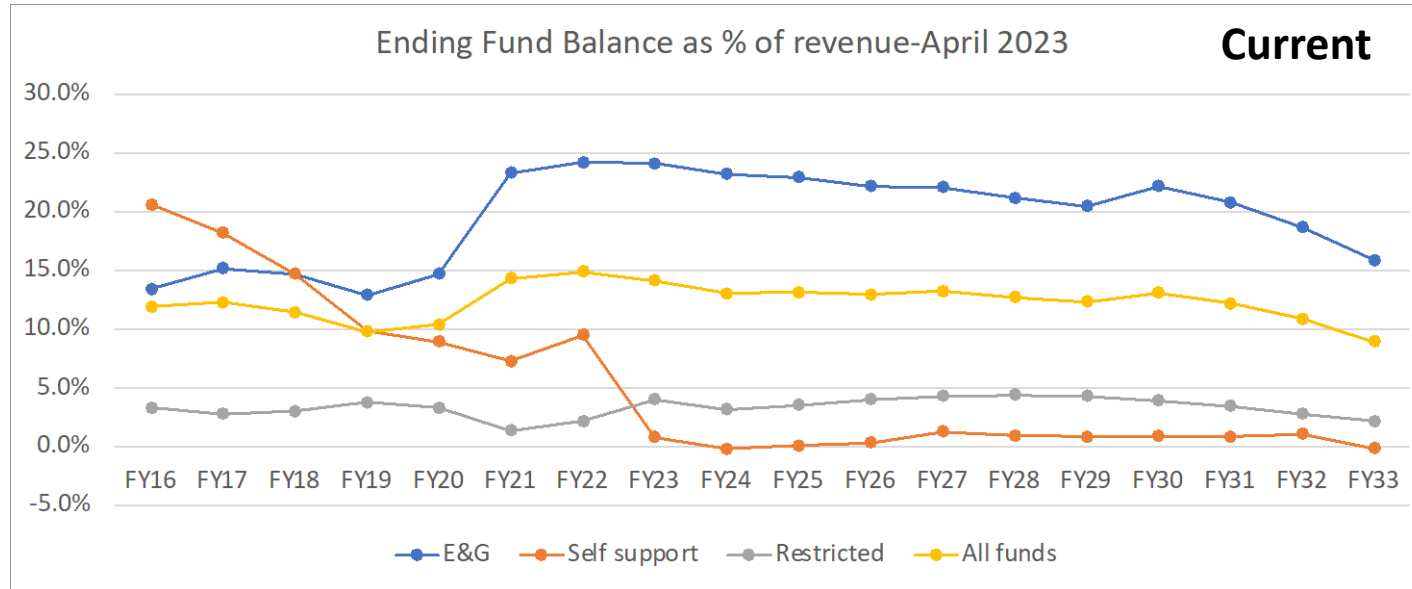


Ten-year Business Forecast—Enrollment Foundation

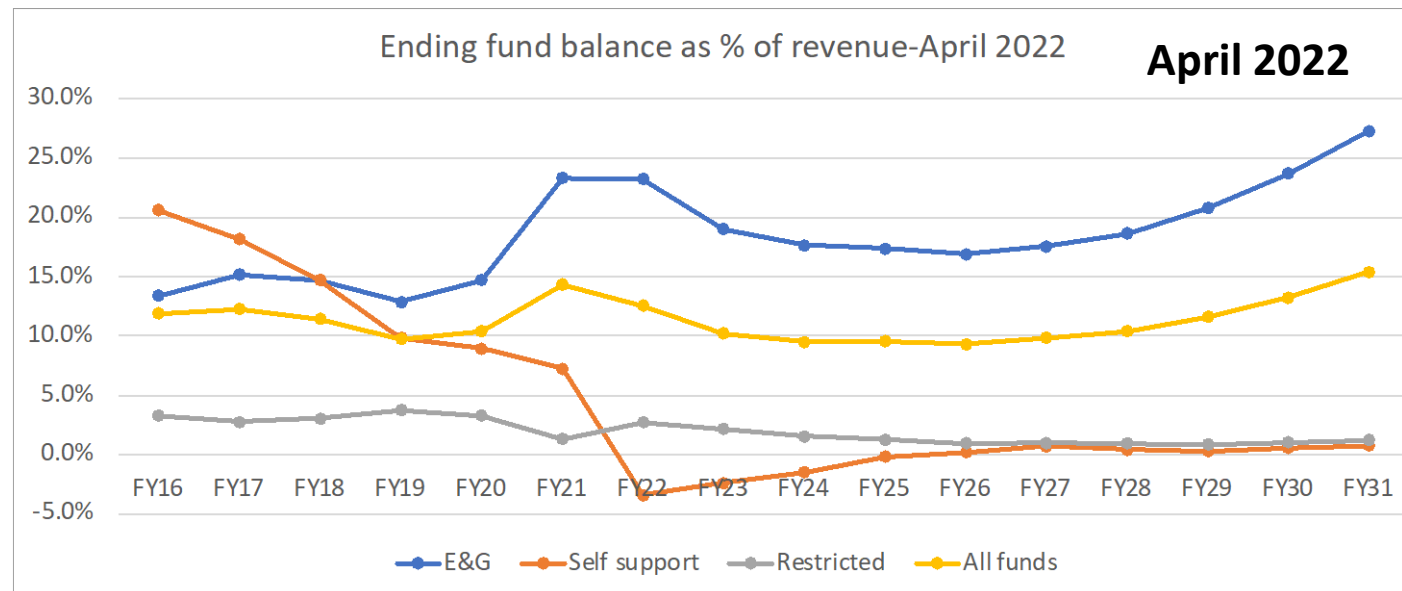


- Relatively flat resident undergraduates in Corvallis
- Non-resident undergraduates grow but fewer international, more domestic
- Continued though slowing growth particularly in Ecampus
- Steady Cascades growth
- Corvallis above 26,000, totals near 45,000

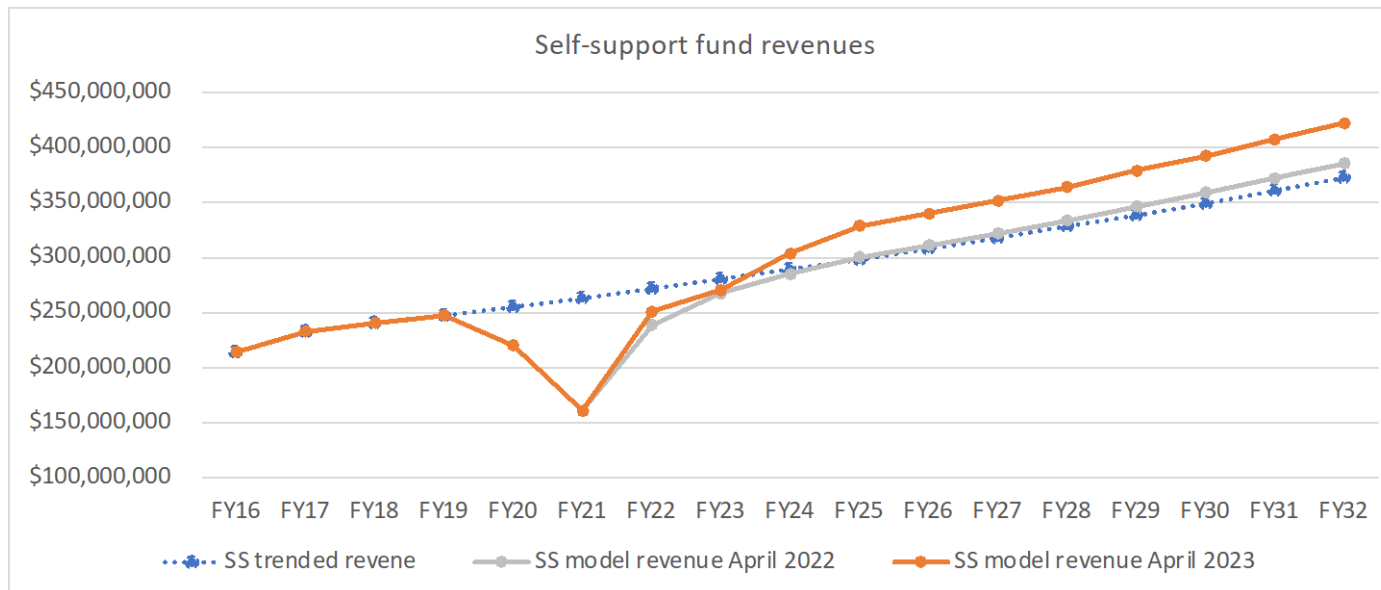
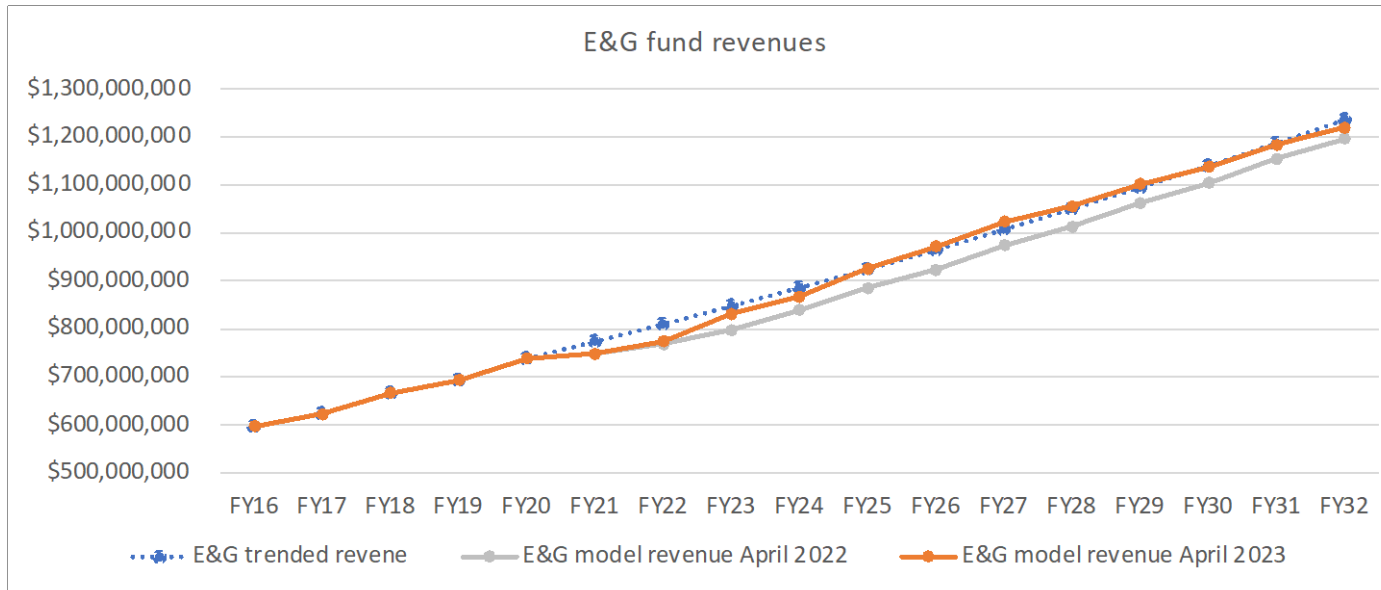
Ten-year Business Forecast—All Fund Projections



- E&G balances higher— federal money, unspent capital and Outdoor School; spent down over time
- Significant losses in self-supports but helped by Federal funds
- Long-term task for self-supports to generate positive fund balances again
- Institutional balances at or above the 10% to 20% threshold

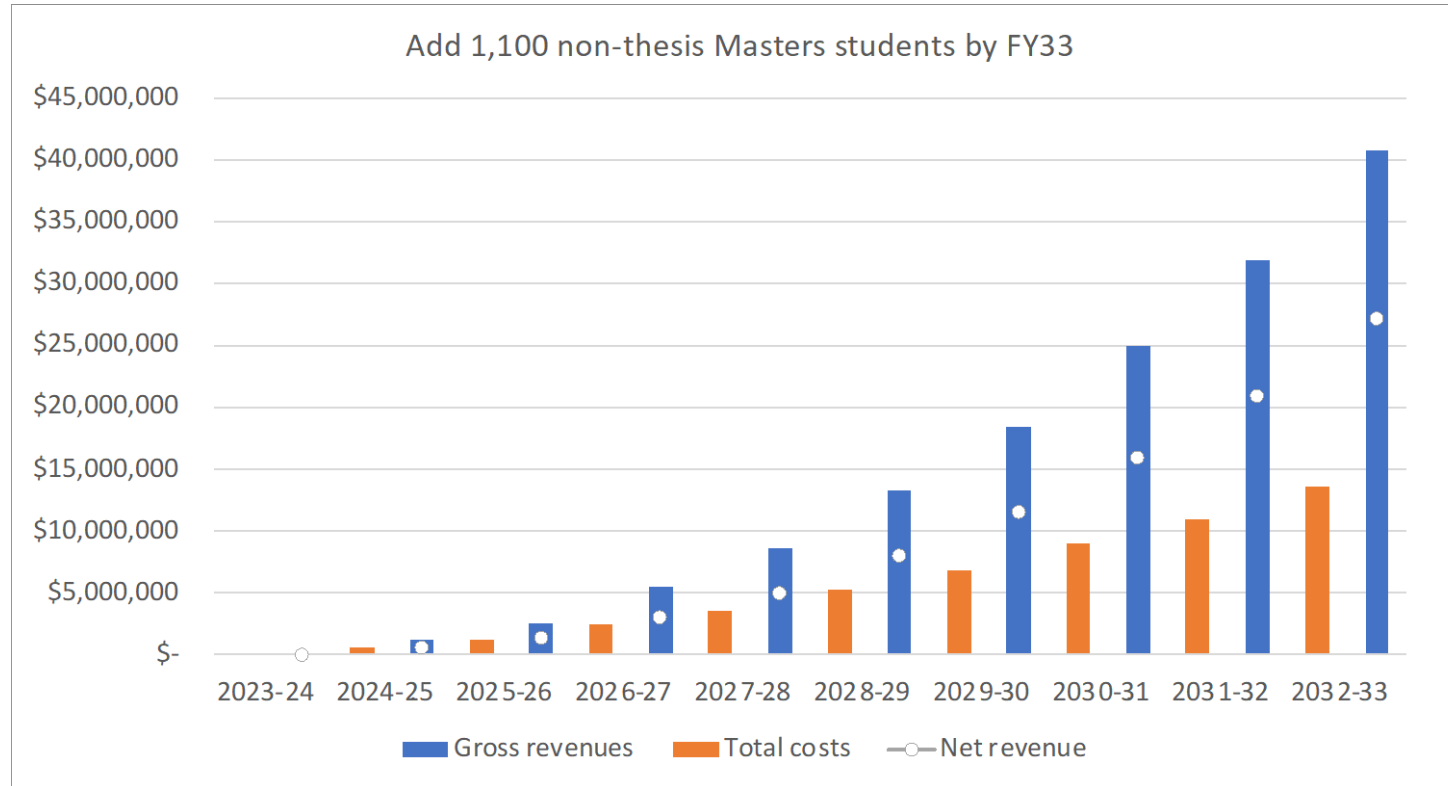


Ten-year Business Forecast—Revenue Growth



- Strong campus enrollment and Ecampus have brought E&G revenues to pre-pandemic levels
- Those campus enrollments and strong work in all self-supports have brought self-support units back to pre-pandemic trends like those prior to FY17

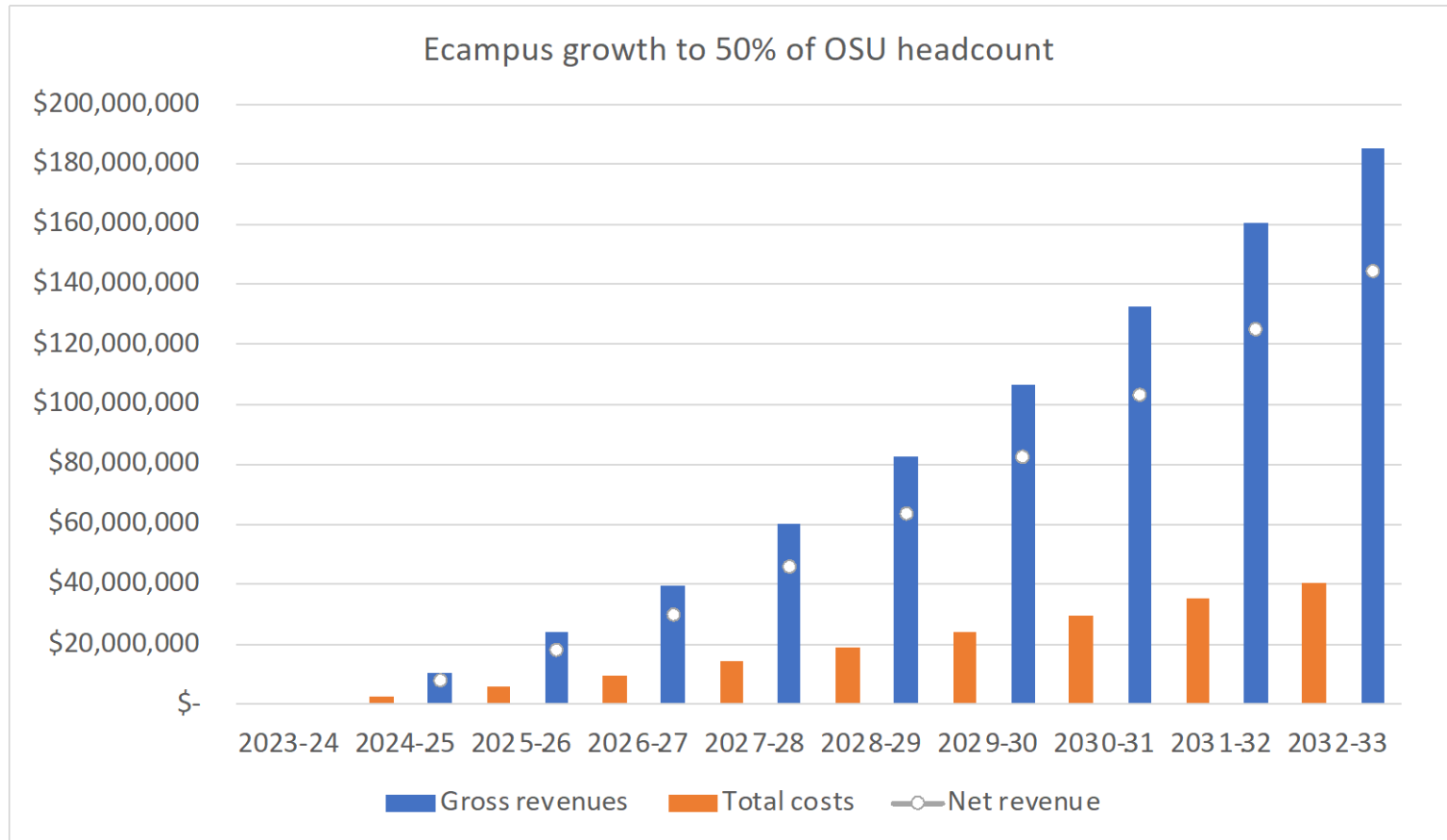
Ten-year Business Forecast—Enrollment Scenarios



Enrollment scenarios described in docket to see potential net revenue

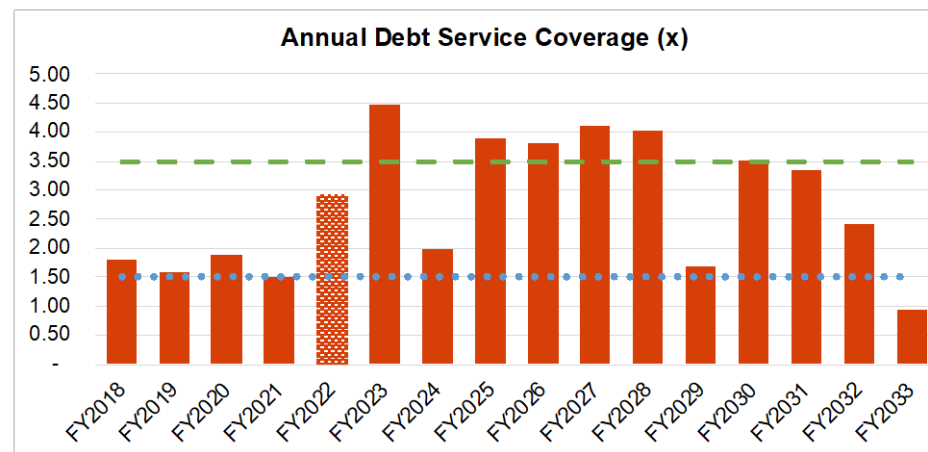
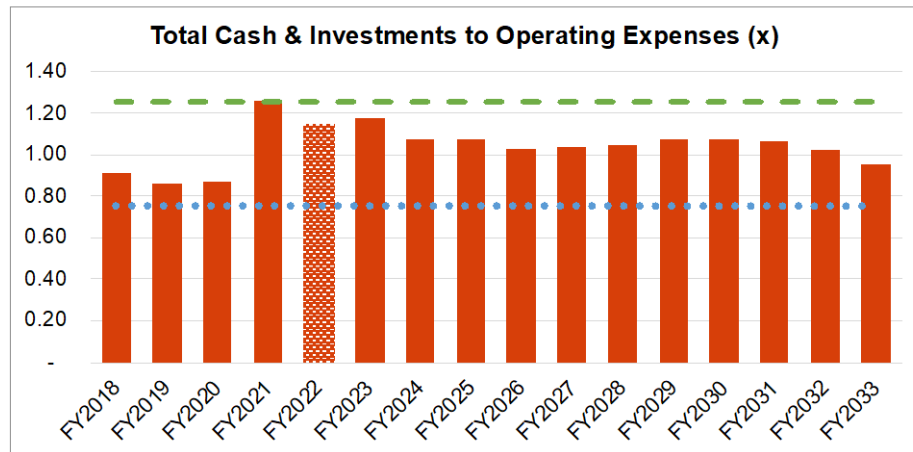
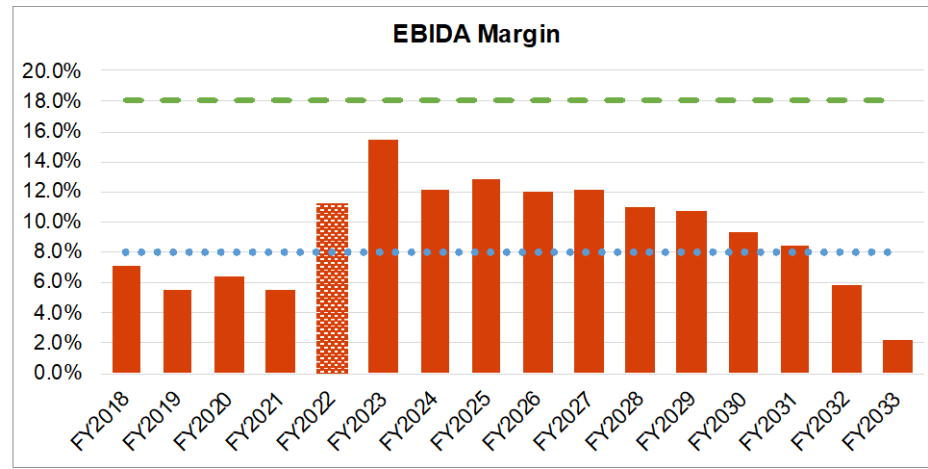
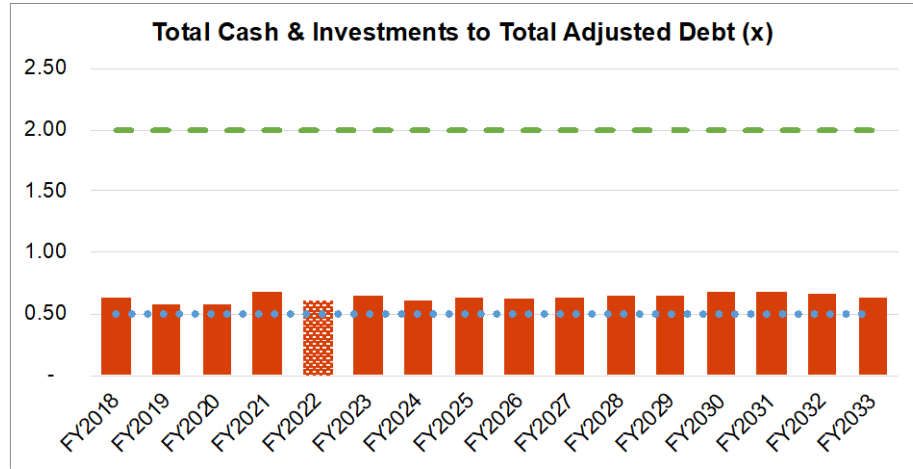
- Growing masters-level graduates adds about \$26M net
- Likewise, adding some bed capacity for a bigger incoming class could grow revenue about \$24M

Ten-year Business Forecast—Enrollment Scenarios



- Aggressive Ecampus growth can generate significant net revenue (~\$140M) if successful.
- Requires significant investment and program development
- Raises a number of strategic question in addition to revenue but offers significant opportunities

Ten-year Business Forecast—Metrics



- Metrics largely stay in desired ranges
- Pension liability growth impacts total adjusted debt
- EBIDA margin improves then declines as expense growth slightly outpaces revenue increases
- Debt service coverage improves with higher EBIDA margin and lower debt service; varies when short-term debt is paid off

Questions?