



The Board of Trustees of Oregon State University

Meeting of the Finance and Administration Committee

June 1, 2023
 11:15 a.m. – 3:00 p.m.
 Memorial Union, Horizon Room
 Corvallis, OR

MINUTES

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

Other Trustees Present: Maria Chávez-Haroldson, Julie Manning, Jayathi Murthy, Inara Scott

University Staff Present: Andrea Ballinger, Jackie Bangs, Belinda Batten, Steve Clark, Bob Cowen, Jennifer Creighton, Bruce Daley, Nicci Dolan, Kevin Dougherty, Katie Fast, Alix Gitelman, Becca Gose, Mike Green, Heather Horn, Jen Humphreys, Stacy Jeffries, Paul Odenthal, Shalece Rains, Libby Ramirez, Bonny Ray, Melanie Rose, Patti Snopkowski, Irem Tumer, Scott Vignos

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

Committee Chair Darry Callahan called to the meeting to order at 11:15 a.m. Board Secretary Jackie Bangs called the roll and verified a quorum.

2. Vice President for Finance and Administration's Report

Vice President for Finance and Administration Mike Green began his report with an update on leadership changes in his division:

- Sherm Bloomer, who led the Budget Office for the past 12 years, was recently named chancellor and dean of the OSU-Cascades campus.
- Dean of the University Honors College Toni Doolen will serve as the interim associate vice president for budget and resource planning in a half-time capacity while a national search is conducted for Bloomer's replacement.

Green announced that the Reser Stadium west side construction project will be completed in time for the first home football game on September 9. He added that the neighboring wellness clinic that will serve students, faculty, staff and the community has been completed and move-in is underway.

Green also gave an update on the state of Oregon's higher education budget for the 2023-2025 biennium, noting that a budget that provides \$1B for the Public University Support Fund passed a Ways and Means Education subcommittee vote and is awaiting further legislative action. If enacted, this budget would add about \$9M more to OSU's Education and General fund than is reflected in the university's current budget plan.

3. Consent Agenda

- a. **Minutes of the April 13, 2023 Finance & Administration Committee Meeting**
- b. **FY2023 Q3 Operating Management Report**
- c. **FY2023 Q3 Investment Reports**

Trustee Richards made a motion to approve the consent agenda, and Trustee Borkar seconded the motion. The motion was approved by all committee members in attendance.

4. Action Items

- a. **FY2024 Operating Budget**

Vice President for Finance and Administration Mike Green and Executive Director of Budget Development and Strategic Planning Nicci Dolan presented the Fiscal Year (FY) 2024 operating budget.

Green said that the budget was based on conservative estimates of enrollment; tuition rates approved at the April board meeting; state funding; and costs like contractual commitments, benefits increases and inflation. He said the university was entering the new fiscal year in a solid financial position, with limited but steady growth.

Dolan noted that estimates would change and be refined as state funding and enrollments for the coming year are finalized. She added that first-year advanced tuition deposits, undergraduate applications and Ecampus applications are all up, indicating another strong fall term. She reported that University Housing and Dining is expected to be at full occupancy again this year and athletics is trending closer to a balanced budget. She added that federal award dollars for research remain strong, and there has been an increase in the Oregon Opportunity Grant need-based funding for students.

She reported strong progress across all university funds due to growth in enrollment and research, adding that self-support operations have fully recovered since the pandemic. She said total revenues for FY2024 are projected at \$1.6B, up 5.2% from the current year.

Dolan provided additional information on the self-support units, noting they have been impacted the most by inflation and the high demand for student workers. She cited travel costs as an expense issue in athletics, along with questions about how revenue reductions would be distributed by the Pac-12 conference.

Dolan reported that OSU has more than doubled its financial aid in the past five years in an effort to grow domestic, non-resident student enrollment and slow the decline in resident Oregonian enrollment.

In response to a question from Committee Chair Callahan, Dolan confirmed that a funding surplus for the Outdoor School arising from the Covid years affected the budget by giving the impression of higher reserves.

Chair Schueler asked if the \$9M variance in revenue would fall to reserves or be spent elsewhere. Green replied that any resources above the revenue estimates would be considered for investment initiatives associated with the strategic plan.

Schueler noted that the university was still transferring \$8M to athletics and asked about a previous statement that athletics was trending toward a balanced budget. Green said there was work to be done to consider how athletics should be funded and financed.

Committee Chair Callahan cited a standing expectation for a long-term outlook on finances focused on athletics. Green said the timing on that outlook was dependent on details of the Pac-12 conference media rights deal and that an analysis would need to look at the cumulative deficit in athletics along with the additional \$30M+ deficit due to Covid.

Trustee Borkar asked how Ecampus figures into the budget modeling. Dolan said that OSU looks at historical trends to determine a percentage growth. Borkar urged a more aggressive position, since other institutions are increasingly competitive in the online market. President Murthy added that there was significant strategic planning around Ecampus goals. Committee Chair Callahan encouraged continued work on Ecampus scenarios but cautioned against confusing a longer-term strategy with the fiscal year budget.

Committee Chair Callahan sought a motion to approve the FY2024 operating budget. Trustee Bedient made a motion, which was seconded by Trustee Borkar and approved by all committee members in attendance.

b. Administrative Modernization Program

Green was joined at the presenters' table by Vice Provost for Information and Technology Andrea Ballinger to present the Administrative Modernization Program (AMP).

Green explained that AMP would undertake a digital transformation of the university's IT and business systems and processes over the next five years. He added that AMP directly addresses strategic action #20 of the current strategic plan and acknowledged that the project represented a significant investment of time and money.

Green noted the challenges of trying to improve a system with a 1990s technological foundation. He said AMP would require expenditures over five years for things like software and implementation consulting services; business process consulting services; a change management partner; and the augmentation of key staffing to complete the project.

He estimated annual cost savings from AMP could reach \$10.8M annually by FY27. He gave an overview of the estimated debt service amounts for the project, which are \$62M overall, with \$50M being financed over a ten-year period at 3.5% interest. He said he considers the return on investment for this project to be strong over a short period of time, with payback coming in over five to six years and then accruing net savings over time.

Ballinger detailed the plan for success and acknowledged that digital and business transformation projects can be a painful process. She said the real challenge isn't the technology, but getting the entire organization to do things differently than they've been done for the past 30 years.

She said success started with a shared vision and noted that the entire university leadership had participated in two separate 90-minute meetings to discuss the project. She added that a consultant was brought into these meetings to help with organizational change management.

Ballinger emphasized the importance of engaging the OSU community early and often to let them know the approach is tailored to OSU. She noted that a request for proposal would be posted in the next week to select a vendor to help with organizational change management for the next three to five years.

She acknowledged that AMP involves significant risk, but cautioned that doing nothing involves risk as

well. She added that her team was carefully examining what has been successful for other institutions to guard against failed implementation.

In response to a question from Trustee Bedient, Ballinger said the total cost of the project would not be known until the university has vendors in place, adding that the current estimate is based on average cost for an institution the size of OSU. Bedient also asked how the project would be stewarded by the board, and Green said he expected his team to provide a status report to the board twice a year.

Trustee Borkar expressed appreciation for the candor of the risk discussion and stressed the importance of doing proofs of concept while the system is being built.

Trustee Clark expressed appreciation for the opportunity to test the system as it's being implemented, since she will use it as an OSU staff member.

In response to a question from Trustee Bedient about software, Ballinger said her team was doing a deep dive into the three options available in the higher education marketplace, all of which are cloud-based.

Committee Chair Callahan clarified that none of the trustees questioned the need for this project but added that many had been through similar processes and were skeptical about what it would cost, how long it would take and whether the anticipated savings could be achieved.

Trustee Bedient said her concern was from the oversight perspective and that she felt it was important to stay close to the effort to be supportive of the process.

Trustee Borkar said the university couldn't afford to continue with an outdated system, citing the recent system meltdown at Southwest Airlines. She questioned the other trustees in attendance, and none of them thought the university should reject the AMP effort.

Committee Chair Callahan sought a motion to recommend that the board approve the option to use up to \$50M in university revenue bond proceeds for the Administrative Modernization Program.

Committee Vice Chair Hernández made a motion, which was seconded by Trustee Borkar. The motion was approved by all committee members in attendance.

c. Capital Project Stage Gate II: Jen-Hsun and Lori Huang Collaborative Innovation Complex

Bruce Daley, associate vice president for university facilities, infrastructure and operations; Belinda Batten, senior advisor for strategic initiatives; and Libby Ramirez, university architect and director of capital resources, provided information on the Jen-Hsun and Lori Huang Collaborative Innovation Complex capital construction project.

Daley said design completion for the project was expected toward the end of September 2023 and that construction would start this year. He said substantial completion of the project was planned for early 2026, with final completion anticipated that spring.

Daley noted a project budget of \$213M, with \$75M in gift funding; \$47M in OSU-paid bonds; \$16M in capital improvement and renewal funds; and \$75M in state funds. He said OSU continues to pursue \$75M in matching funds from the legislature.

Batten showed renderings of the building's exterior and interior, highlighting features like the supercomputer, the cyber-physical playground and the extended reality theater. She mentioned

working closely with the Black Cultural Center, noting that the outdoor space for this project was increased to allow work on the cultural center's Divine Nine monument.

Ramirez reported that the Louis Stokes Alliance for Minority Participation (LSAMP) – an organization dedicated to increasing the number of traditionally underrepresented students completing STEM degrees – would move its offices to the main lobby of the Huang Collaborative Innovation Complex.

Ramirez highlighted some of the project's sustainability features and goals, noting that heat recovered from the supercomputer is planned to heat both the complex and up to half a million square feet in that area of campus. She mentioned additional features like electrochromic glazing and transparency in the wood procurement process.

In response to a question from Trustee Borkar, Batten said that OSU was working closely with NVIDIA to future-proof the building that houses the supercomputer for power and cooling as technology changes.

Chair Schueler noted that the private gift for supercomputer wasn't included in the cost of the project and asked about fundraising progress for the \$75M. Batten explained that an anonymous foundation is committing \$50M, which OSU needs to match with an additional \$25M. She said the OSU Foundation currently had \$18M in commitments for that match, with prospects to take the amount over \$25M, closing out the \$75M to be raised.

Trustee Richards asked about the price of the supercomputer, and Batten said it had not yet been designed. Richards inquired further about disability accommodation and inclusion in the design of the complex, and Ramirez said the building was accessible to both ADA and the more stringent OSU standards.

In response to a question from Chair Schueler, Ramirez said that mass timber had not posed any design restrictions. She added that part of the room that houses the supercomputer will be mass timber, and part will be a steel structure.

Trustee Callahan asked what the focus for collaboration in the new building would be. Batten said they were not yet ready to release concepts, but she confirmed that signature facilities and OSU's partnership with NVIDIA were possibilities.

Trustee Bedient asked if there were other institutions around the country with similar facilities. Batten was unsure, but she said the University of Florida received a gift from Jen-Hsun Huang's co-founder and would be opening a new building in September that sounded like it could be similar. Ramirez noted that the building's architect, ZGF, used the complex as the lead in one of their proposals for a project in Barcelona.

Committee Chair Callahan sought a motion to recommend that the board approve a capital project budget of \$213M for the Jen-Hsun and Lori Huang Collaborative Innovation Complex and advance the project to the construction phase. Trustee Richards made a motion, which was seconded by Trustee Borkar. The motion was approved by all committee members in attendance.

d. Capital Project Stage Gate II: Newport Housing

Bruce Daley was joined by Bob Cowen, associate vice president for research and operations at the Hatfield Marine Science Center, and Jenn Creighton, associate vice president for research, finance and operations to present the details of the Newport Housing capital construction project.

Daley said the project was in the design development phase, with construction estimated to start later in 2023 and be completed in winter 2025. He noted a total project cost of \$16.5M, with \$6.5M from a special state allocation and \$10M in OSU-paid bonds.

Cowen highlighted the benefits of university investment in the Hatfield Marine Science Center (HMSC) over the last six to eight years. From 2015 – present, he cited an increase in student enrollment from 100 to 450; an increase in course offerings from eight to 48; and an increase in resident faculty of almost 33%.

He said this growth created a greater need for housing, and that this project would serve two major groups: students and visiting professionals (including visiting faculty, agency personnel, post-docs and OSU employees with a need for temporary housing).

Cowen noted that the 77-unit project was located outside of the tsunami zone about a 15-minute walk or 5-minute bike ride to the HMSC, with the possibility of future bus service. He added that more than half of the property was still available for additional growth.

Creighton gave an overview of the pro forma, noting that \$6.5M for the project had been received directly from the state. She said revenue estimates were based on conservative occupancy rates and that the building is not expected to be completely full for the next one to two years, necessitating a maximum subsidy of \$300,000/year.

Committee Chair Callahan sought a motion to recommend that the board approve a capital project budget of \$16.5M for the Newport Housing project and advance the project to the construction phase. Trustee Bedient made a motion, which was seconded by Committee Vice Chair Hernández. The motion was approved by all committee members in attendance.

5. Discussion Items

a. Human Resources Administration: Risk Management Report

Chief Human Resources Officer Heather Horn and Director of Benefits and HR Services Bonny Ray provided the committee with a risk management report on Human Resources Administration.

They discussed the actions the university's Human Resources team is taking to optimize recruitment and retention efforts; prepare the university to respond to the bargaining, education and compliance needs of four unique labor contracts; and provide supervisor training and coaching resources.

Trustees discussed challenges to this work, such as the high cost of local housing, as well as the university's efforts to support flexible working arrangements (such as remote and hybrid schedules) and to create a culture of belonging among all employees.

6. Adjournment

With no other discussion or business, Committee Chair Callahan adjourned the meeting.

Respectfully submitted,



Stacy Jeffries
Executive Assistant, Office of the Board of Trustees