MINUTES

Committee Members Present: Patty Bedient (chair), Rani Borkar (ex officio), Darry Callahan (vice chair), Mike Green (ex officio), Kirk Schueler, and Stephanie Smith

Other Trustees Present: F. King Alexander (ex officio), Mike Bailey, Michele Longo Eder, Paul Kelly, Julie Manning, Preston Pulliams.

University Staff Present: Charlene Alexander, Jennifer Almquist, Scott Ashford, Scott Barnes, Sherm Bloomer, Jacqueline Bruns, Penny Burgess, Steve Clark, Debbie Colbert, Bruce Daley Ed Feser, Becca Gose, Heather Hesano, Steve Hoelscher, Dan Larson, Paul Odenthal, Larry Rodgers, Heidi Sann Lauren Skousen, and Irem Tumer

1. Call to Order/Roll/Declaration of a Quorum
   Committee Chair Patty Bedient called the meeting to order at 1:31 p.m., asked the board secretary to call the roll, and noted a quorum.

2. Vice President for Finance and Administration's Report
   Vice President for Finance and Administration and Chief Financial Officer Mike Green began by sharing that OSU will receive as a donation the Port Orford Field Station, which is operated by OSU’s Marine Studies Initiative. He also discussed some of the process improvement projects underway in the Division of Finance and Administration, including a travel administration redesign project and an effort to develop a set of financial management tools to support college-level strategic planning. Green said the Internal Bank Annual Report had been scheduled for inclusion on the consent agenda; however, staff are still in the process of confirming final details in the report and will submit it for the April agenda. He noted that while the quarterly operating management report is typically included on the consent agenda, it had been moved to a standalone action item to provide for discussion. Green provided context for a number of items on the agenda and said he looked forward to further discussion.

3. Consent Agenda
   a. Minutes of the October 14, 2020 Finance & Administration Committee Meeting
   b. FY2021 Q1 Investment Reports
      A motion was made and seconded to approve the items on the consent agenda. The motion carried.

4. Action Items
   a. FY2021 Q1 CSU Operating Management Report
      Bedient asked Green and Associate Vice President for Finance and Controller Heidi Sann to present this item. Green said that variances in the FY2021 Q1 report had led to a recommendation for discussion including it as a standalone action item. Sann...
said the variance explanations in the docket are relevant to the most current projections received from units in late-October compared to the adjusted budget, which was updated in September as part of the budget process. She said large variances between first quarter projections and the adjusted budget are atypical; however, the uncertainty of the pandemic posed challenges for this year’s projection process. Sann then summarized variances for each major operating fund type. She noted for the Education & General (E&G) Fund a negative variance due primarily to Outdoor School projecting higher expenses and a positive variance due primarily to the decision to finance E&G plant funding through the internal bank. Sann summarized variances in the Self-Support Fund, including a positive variance due primarily to higher than anticipated enrollment fees in several self-support units, a negative variance due to less than anticipated revenues in several units, and a positive variance from adjusted budget for the quarter in Athletics. She noted that in the Restricted Fund Other Revenues category, gift revenues have not declined as much as originally projected.

In response to a question by Trustee Kirk Schueler about Outdoor School, Sann clarified that in the initial planning it was not anticipated that Outdoor School could be offered. However, as public health conditions have started to improve, there is the possibility that Outdoor School could occur in spring 2021.

With no further discussion, a motion was made and seconded to accept the FY2021 Q1 Operating Management Report. The motion carried.

b. Ten-Year Business Forecast (includes FY2020 Financial Statement Analysis & Financial Metrics)

Bedient began by reminding trustees that they would typically be reviewing only a capital forecast this year; however, given the financial impacts of the pandemic and in looking ahead, staff were asked to prepare a full business forecast. She then asked Green, Sann, Senior Associate Vice President for Administration Paul Odenthal, Associate Vice President for Budget and Fiscal Planning Sherron Bloomer, Senior Associate Athletic Director Jacque Bruns, and Associate Vice Provost for Student Affairs Steve Hoelscher to present this item.

Green began by reminding trustees that the forecast brings together assumptions in the operating and capital forecasts with other components of the university’s financial statements. He added that this year’s forecast also considered the effects of the COVID-19 pandemic and provided context and background for discussions on preliminary budget and tuition scenarios for FY2022 and capital projects presented for consideration by the Board. Sann shared that despite the added financial pressures caused by the pandemic, OSU was able to maintain an Aa3 stable rating in September 2020. She provided an overview of financial statement metrics projections, noting that the ratios fall within or near most of the preferred ranges, with some exceptions.

Odenthal reviewed the annual process to update the Ten-Year Capital Forecast and summarized significant changes. In response to a question from Bedient about the delay of a research building renovation, Odenthal said that the project remained important but had been rescheduled beyond the current ten-year forecast. In response to a question from Schueler about pending housing
projects, Odenthal said projects to build housing for upper division graduate students and to provide housing opportunities in Newport had both been delayed because of the pandemic. In response to a follow-on question from Trustee Michele Longo Eder about the Newport Housing Project, Odenthal said it would be reevaluated in the near future as the university considered operations following the pandemic. He concluded with an overview of the impact of planned capital projects.

Bloomer described the approach to develop the Ten-Year Business Forecast. He reviewed changes since January 2020, noting that the core assumptions from SP4.0 remained the same, but the projections were adjusted to reflect likely post-pandemic trends. Bedient asked what adjustments were being considered in anticipation of any longer-term post-pandemic trends. Bloomer said that future updates would need to consider possible trends such as permanent shifts in instructional modalities and credit hour loads, and he said that new stress scenarios would need to be considered. Bloomer summarized the financial metrics noting that while there are some near-term challenges as a result of the pandemic, the metrics largely stay within desired ranges. He said that the implementation and financial outcomes of the university’s strategic plan are structurally sound. President F. King Alexander added federal stimulus packages would likely ease some of the near-term strain. Bloomer concluded by noting that staff would complete a review of the overall cost and revenue drivers at the end of FY2021, review and update the six initiatives identified as OSU’s key financial strategies, and continue refining the planning tools and processes.

During discussion, Schueler asked about anticipated long-term impacts of the pandemic on higher education. Bloomer described some early trends and noted that staff would continue to follow and determine how to incorporate changes into near and long-term planning. Green spoke about potential longer-term impacts on capital planning efforts, and Odenthal added that projects in the near term focused largely on research infrastructure, which will help position the university for the future. Trustee Darry Callahan asked about plans to mitigate mounting deficits and about efforts to maintain progress on the Athletics financial sustainability plan. Bloomer spoke about efforts to flatten the expense growth rate, and Bruns spoke about a revised plan and timeline for Athletics to reach positive operating margins. Trustee Julie Manning asked how the revenue modeling, specifically with regard to tuition revenues, has been adjusted to reflect the impact of the pandemic on students and their academic progress. Bloomer said the full effect on student behavior and progress toward degree completion was not yet known, but staff would continue to monitor patterns and make adjustments as needed. Bedient concluded by commended staff for their thoughtful approach to planning.

A motion was made and seconded to recommend to the Board acceptance of the FY2021-2031 Ten-Year Business Forecast. The motion carried.

5. Discussion
   a. Preliminary FY2022 Tuition Scenarios and Education and General Budget Planning
      Bedient asked Green and Bloomer to present this item. Green introduced the discussion, which he said was an opportunity for staff to receive input from the

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Board as planning is underway. He noted that the Oregon legislature is now in session and will be setting the budget for the next biennium. Green said that projections of revenues and expenses for next year are more volatile than usual, adding that staff will continue to revise planning estimates as more information is known. Bloomer began with an update on the current year Education & General (E&G) budget, noting that the June 2020 budget was an estimate and there has since been about a $10M improvement. Bloomer provided an update on enrollment planning, noting that enrollment projections for next year are very uncertain, and he provided an overview of the costs and revenue context for FY2022.

Bloomer spoke next about the FY2022 tuition planning process. He said the University Budget Committee (UBC) is discussing undergraduate tuition rates through a scenario approach, as it has in previous years. He reviewed the tuition scenarios under development and said the preliminary consensus in the UBC is that a tuition freeze, in combination with expected declines in state funding, creates too large a gap between revenues and expenses and could cause damage to essential academic and support programs. He said the committee is settling toward a scenario that would propose a 3.5% increase for both resident and non-resident undergraduate students. Bloomer concluded with a review of next steps.

During discussion, Alexander spoke about the effects of initial federal COVID-19 relief packages and the potential for additional federal stimulus support. Callahan asked whether the UBC had discussed what might be needed to rebuild the university’s fund balance, and Bloomer summarized the committee’s discussion about what would and would not be reasonably paid for by tuition. Trustees discussed the uncertainty created by the pandemic; the need to continue to invest in financial aid, particularly in recognition of the disparate impact of the pandemic; and emphasized the need to make decisions that would provide OSU necessary stability in the near and longer term. In closing, Bedient thanked everyone and said Green and Bloomer would be back in April.

6. Action Items
   a. **Capital Project Stage Gate 1: Reser Stadium West Grandstands**
      Bedient asked Green, Odenthal, Vice President and Director of Intercollegiate Athletics Scott Barnes, and Vice Provost for Student Affairs Dan Larson to present this item. Green introduced the project noting that it was being considered for advancement to the next phase of design development. He provided background information and discussed considerations that had shaped the project plan. Barnes provided an overview of key project goals that support the football program, improve fan experience, and drive new Athletics revenues. Larson concluded with a discussion of opportunities to leverage the timing and funding available to the project to improve the breadth and depth of healthcare services provided to students and expand those services to faculty, staff, and the public. Larson also spoke about potential additional year-round use being explored to make best use of the opportunity that exists within the stadium to meet other university space priorities. Green concluded with on overview of the project financing plan, noting the various considerations with respect to making improvements to the west side of Reser Stadium that shaped the recommendations of staff on a path forward.
During discussion trustees commended staff for thinking about possible year-round use by university programs. They asked for additional information about the medical center and likely services, and they discussed possibilities for a private partner within the space. Trustees also discussed the potential outreach to the broader community through the addition of space for conference services and the incorporation of a visitor center. They explored risks and mitigation strategies and discussed the total cost of ownership and funding plan.

Following discussion, a motion was made and seconded to approve advancing the Reser Stadium West Grandstands project to the next phase of design development. The motion carried.

b. **Capital Project Stage Gate II: Arts and Education Complex**
Bedient asked Associate Vice President for University Facilities, Infrastructure and Operations and College of Liberal Arts Dean Larry Rodgers to present this item. Daley began with an update on the Arts and Education Complex project, noting that the design development stage had been completed and the project remained on time and on budget. Rodgers spoke about the process to design and construct the building, and he provided an update on the status of planning efforts.

With no further questions, a motion was made and seconded to recommend to the Board approval of a total capital project budget of $70M for the Arts and Education Complex project and advancing of the project to the construction phase. The motion carried.

c. **Capital Project Stage Gate II: Fairbanks Hall**
Bedient asked Daley and Rodgers to present this item. Daley said the Fairbanks Hall renovation is progressing on budget and on schedule, adding that the university has now completed the design development phase. He noted that one risk of remodeling an older structure is undiscovered conditions, and he summarized the university’s mitigation strategy. Rodgers described the importance of the building and significance of the project.

With no further questions, a motion was made and seconded to recommend to the Board approval of a total capital project budget of $16.355M for the Fairbanks Hall renovation project and advancing of the project to the construction phase. The motion carried.

d. **Capital Project Stage Gate II: Graf Hall**
In introducing this item, Bedient noted that the project had not come to the committee for Stage Gate I review because the initial expected project cost was under the $5M threshold for Board stage gate review. She said that additional donor funding to expand the scope would bring the project total to $6M, triggering Board review. Bedient asked Odenthal and College of Engineering Dean Scott Ashford to present this item. Ashford summarized the renovation project and described the additional gift opportunity, which would expand the scope for the Collaborative Robotics and Intelligent Systems Institute. Odenthal provided an overview of the deferred maintenance and accessibility improvements.
With no further questions, a motion was made and seconded to recommend to the Board approval of a total capital project budget of $6M for the Graf Hall project and advancing of the project to the construction phase. The motion carried.

e. **Investment Policy Biennial Review and Amendments**

In introducing this item, Bedient reminded trustees that when the Board approved the last revenue bond sale, it was anticipated that amendments to the Investment Policy would be needed. She asked Sann and Director of Treasury Heather Hesano to present the proposed policy amendments. Sann began by noting that the biennial review of the Investment Policy by the Board is part of the internal control process to monitor its efficacy and adjust as dynamics change over time. Hesano summarized the proposal to create a Board designated Bond Repayment Investment Reserve, which she said would be funded with $38.7M from the General Revenue Bond 2020 proceeds. Hesano provided an overview of investment expectations, noting that the portfolio performance will be measured to an assumed average return of 3%.

With no further questions, a motion was made and seconded to recommend to the Board creation of a Board designated Bond Repayment Investment Reserve funded with $38.7M of General Revenue Bond 2020 proceeds and approval of the related amendments to the Investment Policy as provided in Attachment 1. The motion carried.

f. **Public University Fund Investment Policy Amendments**

Bedient asked Sann and University Shared Services Enterprise Executive Director Penny Burgess to present this item. Sann began by noting that the Public University Fund (PUF) is an investment pool that is administered by Oregon State University on behalf of all Oregon public university participants. Burgess summarized the proposed changes. She said that given the historically low interest rate environment, these proposed changes will help expand the opportunity set of quality investible fixed income securities from which the investment officer can consider. Burgess added that the proposed updates include a benchmark change for the core bond fund.

In response to a question from Manning, Burgess said the proposed changes have been reviewed by all Oregon public university participants and no concerns were expressed. Schuler asked about collateralized loan obligations (CLOs). Burgess described CLOs and said they offer a variable interest rate, which is beneficial in the current interest rate environment. In a follow on question, Schuler asked why CLOs had initially been prohibited in the PUF. Burgess said while some types of securities present greater risk, there are now higher quality CLO offerings. In response to a question from Alexander about whether the bond rating of universities within the pool would be applicable, Burgess said the bond rating measured for the PUF is the underlying securities within the portfolio.

With no further discussion, a motion was made and seconded to recommend to the Board approval of the amendments to the Public University Fund Investment Policy as provided in Attachment 1. The motion carried.
g. **Adjustment of Winter 2021 Incidental Fees for OSU-Cascades**

Bedient asked Bloomer to present this item. Bloomer said the Associated Students of Cascades Campus (ASCC) are proposing revised incidental fees for winter term. He said the OSU-Cascades Student Fee Committee and the ASCC recommend a 10.33% reduction in winter term incidental fees at OSU-Cascades. Bloomer said the recommended reductions primarily reflect reduced club spending due to limited opportunities for personal engagement and travel.

With no further questions, a motion was made and seconded to approve the resolution in Attachment 1 adjusting certain incidental fees for OSU-Cascades for the winter 2021 term. The motion carried.

7. **Adjournment**

With no further business proposed, Chair Bedient adjourned the meeting at 4:32 p.m.

Respectfully submitted,

[Signature]

Jennifer M. Almquist
Assistant Board Secretary