



The Board of Trustees of Oregon State University

Regular Meeting of the Finance & Administration Committee

January 27, 2021

9:30 am – 12:30 pm

Horizon Room, Memorial Union Room 049

Corvallis, Oregon

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

Other Trustees Present: Julia Brim-Edwards, Becky Johnson (*ex officio*), Julie Manning, Preston Pulliams

University Staff Present: Jackie Bangs, Scott Barnes, Sherm Bloomer, Penny Burgess, Bruce Daley, Nicole Dolan, Heather Hesano, Steve Hoelscher, Jen Humphreys, Stephen Jenkins, Paul Odenthal, Alan Sams, Heidi Sann, Lauren Skousen

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

Committee Chair Callahan called the meeting to order at 9:31 and Board Secretary Bangs called the roll and noted a quorum.

Callahan expressed appreciation for Trustee Patty Bedient's service as the past chair and welcomed the new trustees, Roman Hernández, Susan Clark, and Jax Richards.

2. Vice President for Finance and Administration's Report

Vice President for Finance and Administration and Chief Financial Officer Mike Green provided an update on the Division of Finance and Administration's diversity, equity and inclusion efforts including a launch in the fall of a Diversity, Equity and Inclusion Action Plan. Green also provided information about the Procurement, Contracts and Materials Management (PCMM) Supplier Diversity Program as a follow-up to a question that was asked at the fall meeting.

Green noted that, due to the uncertainties with respect to the final scope and budget that arise from potential City of Corvallis requirements, the Whyte Track and Field Center capital project will be presented at April meeting when costs are better known.

3. Consent Agenda

- a. Minutes of the October 7, 2021 Finance & Administration Committee Meeting
- b. Capital Project Change to Approved Budget: Graf Hall Interior Renovation
- c. Capital Project Stage Gate II: The LaSells Stewart Center Mechanical and Roof Renewal

Callahan asked whether anyone wanted to move any items to discussion and there were no requests to do so. A motion was made and seconded to approve the consent agenda and the motion carried.

4. Action Items

a. FY2022 Q1 OSU Operating Management Report

Callahan began by explaining that although this might normally be a consent agenda item, it was moved to an action item as a discussion would benefit new trustees and refresh the memory of the longer standing trustees.

Callahan introduced Heidi Sann, associate vice president for finance and university controller, who provided information about the FY2022 Q1 Operating Management Report. Sann began by providing an overview of what is included in the operating management report. Sann explained that the Board approves budgets in the spring, and the Board is provided updates throughout the year, including information about variances or changes. Sann introduced Nicole Dolan, director of budget development, who provided information about the format and contents of the E&G report. Dolan explained that the fiscal year runs from July 1 to June 30. Dolan spoke about the state appropriation, which was finalized in July, and reviewed items of note in the appropriation. In answer to a question from Trustee Schueler, Dolan noted that reserves are higher than the Board established range and attributed this to public health conditions that prohibited funded programs from operating, thereby shifting expected costs into the future. Sann then spoke about OSU's self-support funds and provided explanation for items that were outside established criteria. Dolan spoke about restricted funds for the first quarter, noting that there were no items outside of established criteria. Dolan finished by speaking about the transfer schedule, which shows the movement of funds between fund groups.

A motion to approve the FY2022 Q1 OSU Operating Management Report was made and seconded. The motion carried.

b. FY2022 Q1 Investment Reports

Callahan began by sharing that the FY2022 Q1 Investment Reports is another item that would normally be on the consent agenda but was being covered as an action item to orient new members as well as to remind longer standing members of its content. Callahan then welcomed Heidi Sann, associate vice president for finance and university controller, Penny Burgess, executive director, university shared services enterprise and Heather Hesano, director of treasury.

Sann spoke about the quarterly investment reports that are provided to the Finance & Administration Committee and the board's fiduciary oversight, which are embedded in OSU's treasury-related policies. Sann said that OSU, as the designated university, manages the statutorily established Public University Fund on behalf of all participating Oregon universities. Sann said that the OSU Foundation manages the majority of the university's endowment investments. Sann shared that the investment agreement between OSU and the OSU Foundation requires that any substantial changes to OSUF investment policy be reviewed by the university. Hesano then reviewed key policy terms in the context of fiduciary oversight responsibilities. Hesano described OSU's investment policy tiers, which correlate with duration of investment. Burgess reviewed the

investment quarterly report, describing the short, intermediate and long-term investments.

Trustee Bedient asked how decisions are made for long-term investments, and Burgess explained that the university and Foundation work with professional financial advisors who provide analysis and evaluation for decisions. As well, the current economic conditions such as inflation were discussed in the context of investment decisions.

A motion to approve the FY2022 Q1 Investment Reports was made and seconded. The motion carried.

c. Internal Bank Annual Report

Callahan began with an overview of what the internal bank does then he invited Sann to speak to the report. Sann began by sharing that the internal bank is how OSU operationalizes treasury management functions; it is not an external entity and it facilitates long-term financial stability of the university. Annually, financial performance is reviewed by the Finance & Administration committee. Sann shared the 2021 annual report and significant takeaways.

Hesano reviewed key internal bank data, which provides a picture of the use of funds from various sources of financial investments. Hesano spoke about cumulative future cash flow and commented that OSU is in a good position. Hesano provided explanation about changes to the university's financial reporting measures that the committee approved October 2020. Hesano then went on to describe metrics, OSU's investment allocations and performance.

Bedient suggested, given the Board's fiduciary responsibilities, this topic should occur somewhat regularly on the agenda. Chair Callahan agreed and asked Board Secretary Bangs to add the topic to future agenda(s).

A motion to approve the FY2021 Internal Bank Annual report was made and seconded. The motion carried.

d. Capital Project Stage Gate I: Gilkey Hall Renovation

Callahan introduced Bruce Daley, associate vice president, capital planning & development and Ian Kellems, executive director, counseling & psychological services to talk about the Gilkey Hall Renovation. Daley provided information about the project from a construction standpoint and said that the construction would begin August 2022 with a one-year timeline. Kellems shared that investing in this project will support the significant increase in mental health support requests from students that has occurred since 2020 and has amplified since the pandemic began. Kellems expressed the importance of a culture of care, and the renovation demonstrates OSU's commitment.

Following a discussion, a motion was made, seconded and carried to move the project to the next stage of development.

e. Capital Project Stage Gate II: West Greenhouse Expansion

Bruce Daley, associate vice president, capital planning and development was joined by Alan Sams, College of Agriculture Sciences dean to provide a progress

update on the expansion project, sharing that the current greenhouses, built in 1929, are no longer repairable. Construction start date is June 2022 with a 9-month construction window.

Sams shared that plant sciences research at OSU is the innovation engine for the food and agriculture industry in the state. Sams said that the greenhouse project is an interim step in a long-range plan for a Plant Science Innovation Center, which is in the ten-year capital plan, but it will take a number of years to develop the funding and structural plans. Daley explained that the new project adds two green houses that total 11,000 sq. ft. The old east greenhouses will eventually be demolished, in alignment with the City's process for historical buildings.

Motion to move to approval of 6.2M Capital Project Stage Gate II: West Greenhouse Expansion and advancement to the construction phase was made, seconded and carried.

- f. Capital Project Change to Approved Budget: Cordley Hall Renovation
Paul Odenthal, associate vice president for finance & administration joined Bruce Daley to talk about the increase in the \$158M budget for the Cordley Hall renovation. Odenthal shared that the project is a 4-year project and the largest ever undertaken by the university. Odenthal commented that cost increases are largely due to labor availability and supply shortages. Odenthal said that the Higher Education Coordinating Commission may ask the state legislature to cover some of costs of statewide capital construction inflation due to pandemic-related supply and labor shortages. Odenthal said that if the state does not cover the cost, E&G funds and other resources from capital improvement and renewal funding will need to be used.

Daley explained that the building construction has been done in two phases, east and west. Daley said that the west side is on schedule and nearly final and that the eastside work will begin in August 2022. Daley shared that staff have received nearly all bids and they are in-line with project budgets provided to the Board for this meeting. Daley noted that he anticipates continued volatility in construction costs in the short term.

Callahan asked whether other projects would have to be delayed or deleted if the state does not provide funds for the increased costs. Odenthal said that some electrical and mechanical improvements and roof replacement may be extended out further, which may require adjustments to the Ten-Year Capital Forecast.

Trustee Manning asked about the future of the Research Way building once the Cordley project is complete. Odenthal explained that it will continue to be used for surge space as other laboratory-intensive buildings on campus are renovated and constructed over the coming ten years.

Motion was made, seconded and carried to approve of the Capital Project Change to Approved Budget: Cordley Hall Renovation

- g. Capital Project Change to Approved Budget: Reser Stadium West Grandstands

Callahan shared that the Board previously approved a budget of \$153M, and today's action is to consider a increased budget bringing the adjusted total budget to \$160.8M. Odenthal said market escalation and the ongoing global supply issues have impacted the project. The stadium and welcome center account for approximately \$5.4M of the increase while the Student Health Center \$2.1M. Odenthal shared that a \$1M donation to student health facility has helped to defray a portion of the cost increase. As well, Odenthal said there are existing student health building reserve funds for facility improvements that will help to cover the cost and will not cause a fee increase to students by using them.

Odenthal also indicated that the budget increase reflects \$348K for adjacent improvements including electrical service upgrades, a bus stop, and energy efficiency through the Energy Trust of Oregon.

Odenthal invited Scott Barnes, vice president and athletic director, to discuss fundraising information. Barnes shared appreciation for the generosity and enthusiasm of the 26 donors who have helped to fund the project and respond to the price escalations raising \$6.4M for the stadium, welcome center, and student health center.

Bedient asked whether the project is on schedule and Barnes confirmed that it is with substantial completion by mid-summer 2023 and ready to go F2023. Trustees congratulated Barnes and Odenthal on a successful demolition of the existing westside grandstands earlier this month.

Motion was made to approve the increased budget of \$160.8M. The motion was seconded and carried.

5. Discussion Items

- a. Capital Project Update: Upper Division and Graduate Student Housing
Callahan welcomed the presenters; Bruce Daley, associate vice president, capital planning & development, Stephen Jenkins, associate vice provost and executive director of university housing and dining services and Steve Hoelscher, associate vice provost for student affairs finance & operations. Daley began by sharing that the \$50M project was approved by the Board in 2018 but was put on hold in Fall 2020 due to enrollment and financial uncertainties resulting from the pandemic. Daley explained that today's update was to share the revised plans for the project. Daley said engagement with community has begun and that outreach will continue. Daley then provided an update on the process and steps leading up to current status. Daley said the plan is to conduct a redesign in August, bid the project by fall 2022 and break ground in January 2023, with completion in April 2024.

Jenkins shared information about a Sept. 2021 housing needs study, which showed that the Corvallis Campus housing need is 500 beds. Jenkins then showed multiple views of the plan, noting that the building height is still below the tree line and that there is a heavy vegetation area on the site that is protected by the City of Corvallis. As well, Jenkins showed internal layouts of the rooms and said all units would be fully furnished with kitchenette and restroom.

Hoelscher provided a financial summary and pro forma of the project. Hoelscher said the total project budget remains at \$50M as the Board previously approved, and it would be internally financed at 4.99%, which is down from the initially anticipated 5.25%. Hoelscher discussed projected rental rates and explained they would include all utilities, internet, laundry, enhanced safety features and the university would not require first/last month deposit.

Callahan noted that this is a report about a scope change of a board-approved capital project, and the presenters are not requesting approval.

Manning asked about parking requirements. Jenkins said the required number of spots are being provided on-site and they are working with parking services to increase space. Jenkins noted that one of the strategic advantages of this location near both the university and downtown Corvallis is that it helps to reduce the need for vehicles.

Bedient asked if the bed count changed. Hoelscher said the project was initially planned to include 285 individual studios, which made it a higher cost project (more bathrooms and kitchens). With the change in room types to include multiple residents, the project now accommodates 221 beds and costs remained constant.

Bedient asked what is being done to address the market report that anticipates a need for 500 additional beds in Corvallis after this project. Jenkins said that as old housing building are renovated, UHDS is looking at ways to add more spaces.

Schueler sought clarity on fewer beds for same amount of money and asked how the old pro forma compared to the current. Hoelscher said the previous pro forma was slightly better but noted that the main elements either held fixed or showed tangible improvements.

A discussion of changes to project scope ensued. An update to policy may be considered at a future meeting.

Scott asked about the rental cost of units and how that is balanced with financial needs of students. Jenkins said that OSU's planned rent rates would be at lower levels than what is predicted to be market rent rates at that time. Jenkins said one of the ways the concern about affordable housing was addressed was to increase the number of double-occupancy units in the project. Scott asked about why they would not make all units doubles. Jenkins explained that decisions about the unit mix were based on market studies which showed a high demand for single units among graduate and upper-division students. Hoelscher added that the architecture in some parts of the building would not accommodate doubles.

Callahan ended by stating that it was the right decision to bring the project back to the committee.

b. Update on the Corvallis Shared Responsibility Budget Model

Callahan introduced Sherm Bloomer, associate vice president for budget and resource planning to present the update. Bloomer began by sharing that in 2019, OSU changed from an incremental to a shared responsibility budget model. Bloomer said the new model means college and department budgets respond to both enrollment growth and decline.

Bloomer shared that five workgroups were formed to look at feedback about how the new model is working for units. Bloomer said conversations occurred from spring through fall terms, and they found that the budget seemed to be working well; overall, it is viewed as an improvement. Bloomer said no one advocated to go back to the previous model and that now colleges must really focus on their enrollment strategies. Speaking about what needs improvement, Bloomer received feedback that the model was hard to understand and perhaps not weighting everything appropriately. Bloomer said they have compiled the results of the feedback and will make technical changes to make the model easier and a little less complicated in FY23. Bloomer said in FY24 they will make larger structural changes to improve calibration that will better set how the budget responds to changes.

Callahan noted that he hoped Sherm will come back to share the outcome of the next phase with trustees.

c. Preliminary FY2023 Tuition Scenarios and Education and General Budget Planning

Callahan invited Mike Green and Sherm Bloomer to present. Green stated that the state's funding allocation for higher education is settled for the biennium. Green noted that there are still some uncertainties around enrollments and tuition rates.

Bloomer spoke about enrollment planning based on future estimates, and explained Corvallis campus enrollment projections relative to in-state and out-of-state students. Bloomer explained that the demographics are evolving such that the number of in-state students is decreasing, so OSU has the capacity to admit every iOregon resident that qualifies. Bloomer then shared information about anticipated costs, a high proportion of which includes salaries/pay, benefits and services and supplies.

Bloomer said the budget committee utilizes the enrollment, revenue and cost projections to determine a recommended range for tuition increases. Bloomer then spoke about OSU's transition to cohort pricing, which limits the amount of tuition increase for returning students to no more than the estimated rate of inflation, while newly matriculating students may have a slightly higher rate of increase. Bloomer said this approach puts responsibility on the institution to manage cost increases that are higher than the rate of inflation. Bloomer then spoke about instructional modality and the limits of revenue based on the type of modality a student chooses.

Bloomer shared three scenarios for increasing tuition under consideration. Bloomer noted there will be community forums explaining these scenarios over the coming weeks, and tuition recommendations will be provided to the Board at the April meetings, with the FY2023 budget presented to the Board in May.

Pulliams asked about how these decisions will impact students who are Pell-eligible. Bloomer responded that OSU is making an effort to provide more support to students with need rather than merit-based institutional awards.

Bedient noted the efforts of Bloomer to transparently communicate the university budget and tuition scenarios via community forums. Richards commented that student engagement in general has been waning and he hopes to see that invigorating going forward. Richards asked Bloomer how increasing the number of out of state students will impact the budget. Bloomer responded that it would increase revenue and would require consideration about how to utilize those funds, including whether to allocate more to need-based financial aid support.

Callahan offered a summary of how OSU is looking at the approach to admitting percentages of resident and non-resident students. He noted that this is only guidance, not Board policy.

6. Adjournment

Noting no other discussion, Callahan adjourned at 12:40.

Respectfully Submitted,



Jen Humphreys
Assistant Board Secretary