



Oregon State
University

The Board of Trustees of Oregon State University

Meeting of the Finance and Administration Committee

January 16, 2025

9:35 a.m. – 1:40 p.m.

Memorial Union Horizon Rm.

MINUTES

Committee members present: Kasaundra (Kassy) Bonanno, Karla Chambers, Susan Clark, Lisa Hale, Román Hernández (*ex-officio*), Carla Ho‘ā (*ex-officio*), Grant Kitamura (*vice chair*), Toby Luther, Elise McClure (*chair*), Marlena (MJ) Mirho (*nonvoting member*)

Other trustees present: Stephanie Bulger, Kate Carter-Cram, Greg Macpherson, Jayathi Murthy, Camille Palmer

University staff present: Jackie Bangs, Dale Bettencourt, Penny Burgess, Bruce Daley, Kevin Dougherty, Ed Feser, Alix Gitelman, Becca Gose, Brent Gustafson, Heather Hesano, Carla Ho‘ā, Jen Humphreys, Stacy Jeffries, Stephen Jenkins, Deb Mott, Vincent Nguyen, Paul Odenthal, Heidi Sann, Patti Snopkowski, Irem Tumer

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

Committee Chair Elise McClure called the meeting to order at 9:35 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 Carla Ho‘ā delivered her report to the committee.

She discussed two main financial imperatives that are required to achieve the university’s strategic goals: generating resources and maintaining the university’s fiscal health.

Ho‘ā noted that – even though it has seen robust enrollment growth – OSU is still experiencing state funding at levels lower than necessary to meet current service levels, along with inflation pressures and an increasingly competitive research environment.

To address these challenges, Ho‘ā explained that OSU is undertaking a longer budget planning horizon which will allow time to engage the university community in assessing opportunities to generate new resources and consider how existing resources are currently being invested.

As part of this effort, Ho‘ā noted that university leaders and their teams will be working through a collaborative and transparent process to realign and reallocate funding in fiscal year 2026 and beyond so that OSU can build financial resilience, handle unexpected contingencies and fund strategic investments to advance research, teaching and outreach goals.

Ho‘ā emphasized that OSU is working proactively, not from a place of austerity, and that making intentional choices now will allow OSU to remain stable and competitive into the future.

3. Consent agenda

a. Minutes of the October 24, 2024, Finance & Administration Committee Meeting

A motion to approve the consent agenda was made by Trustee Hale, seconded by Vice Chair Kitamura, and approved by all committee members in attendance. The motion carried.

4. Action Items

a. Capital Project Stage Gate I: OSU-Cascades Phase III Land Remediation and Development

Sherm Bloomer, chancellor and dean of OSU-Cascades and Jarrod Penttila, associate director of capital planning and construction, presented information about the OSU-Cascades land remediation and development project.

Bloomer provided an overview of the project, which aims to remediate and develop the land at OSU-Cascades by transforming a decommissioned pumice mine and demolition landfill into usable land. He noted that the site – acquired in 2016 – spans 128 acres, with only 10 acres initially buildable.

Penttila explained the process of excavating waste from the site, sorting and harvesting reusable soil and relocating waste to designated areas for passive uses like recreation fields and parking. He noted that the reclaimed soil will be used to elevate the pumice mine, making it suitable for campus development. He added that phase 3 of the project will make buildable space available in the center of the campus.

Bloomer noted planned future development, which includes the construction of a student health and recreation center and space for future student housing projects and academic buildings in support of the goal of reaching 2,200 students by 2030 as stated in *Prosperity Widely Shared*.

Bloomer provided information on the financial aspects of the project submitted to the state Legislature, which includes both the land remediation and construction of the student health and recreation center for a total cost of \$84M. He noted that \$42M has been requested from the state, \$20M from student fees and \$22M from university funds, grants and revenue bonds. He stressed the cost-effectiveness of the project, with land acquisition and remediation costs significantly lower than the current market value of land in Bend.

Trustee Macpherson noted the positive effects of transforming a blemish on the landscape into a valuable asset for the state, which he said should be persuasive to the Legislature.

Committee Chair McClure sought a motion to approve the OSU-Cascades Phase III Land Development and Remediation project for advancement to the design and planning phase. A motion was made by Trustee Luther, seconded by Trustee Hale and approved by all committee members in attendance. The motion carried.

b. Capital Project Stage Gate II: Richardson Hall Chiller Mid-Life Renewal

Paul Odenthal, senior associate vice president for administration, and Bruce Daley, associate vice president for University Facilities, Infrastructure and Operations gave a presentation on the Richardson Hall chiller project.

Daley provided an overview of the project, which is part of the ten-year capital forecast and has been planned for several years. He noted that buildings are designed for a 50-year lifespan (the expected period that the building will perform its intended function with minimal repairs or significant maintenance), but mechanical and ventilation systems often require midlife renewal to extend the building's life by another 15 years. He added that Richardson Hall, built in 1999, serves as a hub for education, research and administration for the College of Forestry and that the proposed project supports critical forestry research and contributes to sustainable forest management.

He explained that the project will upgrade the building's chiller system; replace control systems, fire alarms and steam entrance equipment; and install a new exhaust system and controls. He added that the Wood Pressure Treatment Lab will also be modernized as part of the project.

Daley added that the building would remain fully functional and occupied throughout the renewal process, with a scheduled completion date of December 2025.

Trustee Hale asked about contingency plans in case the building needs to be vacated during construction. Daley acknowledged the challenge and reported that his team was coordinating with departments to manage noise and disturbances and keep building systems running with temporary chillers.

Committee Chair McClure sought a motion to recommend to the board approval of a capital project budget of \$14.75M for the Richardson Hall chiller mid-life renewal and advance the project to the construction phase. A motion was made by Trustee Luther, seconded by Trustee Chambers and approved by all committee members in attendance. The motion carried.

c. FY2025 Q1 Operating Management Report

Associate Vice President for Finance and Controller Heidi Sann and Associate Vice President for Budget and Resource Planning Brent Gustafson gave a presentation on the fiscal year 2025 first quarter operating management report.

Chair McClure noted that the report is typically provided on the consent agenda, but with many new trustees on the board, a more detailed presentation was given to help understand the information in the quarterly reports.

Gustafson provided an overview of the different operating funds: education and general (E&G) funds, self-support funds and restricted funds. He noted that the E&G fund is the largest and most flexible and includes resources like tuition and state appropriations. The self-support fund includes business-like activities such as housing and dining, Athletics, and parking and restricted funds are limited for specific purposes, such as donor contributions and faculty grants.

Sann added that the budget presented in the operating reports is the budget approved by the committee in the spring, with projections updated quarterly based on current expectations and information from various campus units.

Gustafson provided highlights of the first quarter report, emphasizing it did not reveal any significant concerns or newsworthy changes. He reported that the E&G fund showed a decrease in line with budget projections, while the self-support fund had a higher realization rate of revenue due to one-time money from the state of Oregon directed toward scholarships in Athletics. No updates were made to the restricted funds in the Q1 projections.

Trustee Chambers commented that the report seems like old news by the time the board sees it and asked what metrics were being used to help identify current and future hot spots and financial challenges. Gustafson noted the report's projections for the rest of the year, and Sann mentioned additional financial metrics that would be covered later in the day's meeting, in addition to the ten-year business forecast provided to the board in the spring.

Committee Chair McClure sought a motion to accept the fiscal year 2025 first quarter operating management report. A motion was made by Trustee Chambers, seconded by Trustee Clark and approved by all committee members in attendance. The motion carried.

d. FY2025 Q1 Investment Reports and Investment Management Review

OSU Treasury Director Heather Hesano and Executive Director of the University Shared Services Enterprise Penny Burgess delivered the presentation.

Presenters provided an overview of the quarterly investment reports, which group assets into three categories: operating assets, board-designated assets and endowment assets. The reports are intended to support the committee's fiduciary oversight responsibility as specified in board policy.

Hesano reported that three equity fund holdings were in violation of the policy for investments held related to fossil fuel restriction, due to investment in energy companies listed on the Carbon Underground 200 list. She announced their intention to bring investment policy amendment recommendations to the board in May.

Trustees asked about the following topics in conversation with Hesano and Burgess:

- **Cost of policy on carbon:** Trustee Chambers asked for an estimated cost for the fiscal year of not being in the energy sector due to the carbon policy. Burgess estimated there had been no cost in the past year but suspected there would be a cost over a longer period, adding that that she would have to look at the numbers to provide an accurate response.
- **Decision-making on investment policies:** Trustee Macpherson asked how decisions affecting endowment funds are made – if this board decides what the policy will be for avoiding carbon-based energy stocks, or if the OSU Foundation Board makes that decision. Hesano clarified that the OSU Board of Trustees is responsible for review and acceptance of the OSU Foundation Board's investment policy for the endowment assets it has there. She added that the OSU Board of Trustees is exclusively responsible for its own investment policy, which includes the exclusion of the Carbon Underground 200.
- **Potential amendments:** Committee Vice Chair Kitamura asked what the potential amendments to the investment policy might be. Hesano provided a preview, which included investing in alternative energy and sustainable practices. Trustee Bonanno asked if that meant the university would consider reinvesting in fossil fuel corporations, and Hesano said that was under review.

Vice President for Finance and Administration Carla Ho'ā stressed the importance of fully understanding policy decisions, noting that those decisions could have financial consequences. She said her team would provide the board with the information they need to decide how to move forward.

Committee Chair McClure sought a motion to accept the fiscal year 2025 first quarter investment report. A motion was made by Trustee Chambers, seconded by Trustee Luther and approved by all committee members in attendance. The motion carried.

e. Internal Bank Annual Report

Associate Vice President for Finance and Controller Heidi Sann joined Hesano for a report about the university's internal bank.

Sann provided financial highlights, noting that the net position increased by \$15.1M, for a balance of \$18.6M with \$13M in unrealized net operating and non-operating investment gains. She added that total debt increased by \$22.5M, driven by the issuance of \$20M in new debt to support the Administrative Modernization Program in May 2024.

Sann noted that the university refinanced \$27.6M in bonds, resulting in a cash savings of \$5.3M and a net present value savings of \$3.3M. She added that total operating expenses for the bank increased by \$0.6M, primarily related to the cost issuance of the May 2024 bond transactions.

Hesano gave an overview of the internal bank's central loan program portfolio, which includes loans funded by borrowed money and internal bank reserves. She noted that loans funded by debt proceeds comprise 90% of the loan portfolio, totaling \$667.4M, while \$71.1M in loans are funded by internal bank reserve funds.

In response to a request from Board Chair Román Hernández, presenters gave an overview of the purpose and creation of the internal bank, which was established to manage funds in a pooled approach; provide a holistic perspective on the university's finances; and allow for management of cash across the university to support the objectives of individual units while ensuring overall financial stability.

Trustee Chambers asked what kind of third-party audits and regulatory environment an internal bank is subject to. Hesano clarified that the internal bank is not a registered bank and is not subject to federal regulations for banks. Sann added that, while the internal bank's annual report is not audited, report balances are reconciled to amounts in the audited financial statements. The Office of Audit, Risk and Compliance (OARC) engaged OSU's external auditor, CLA, to complete an agreed-upon procedure review of the OSU internal bank process in the fall of 2023.

Committee Chair McClure sought a motion to accept the fiscal year 2024 internal bank annual report. A motion was made by Trustee Clark, seconded by Trustee Luther and approved by all committee members in attendance. The motion carried.

5. Discussion items

a. FY2020-2024 Financial Metrics Update

Heather Hesano and Heidi Sann also presented the next agenda item, a financial metrics update for fiscal years 2020 – 2024.

They provided an overview of the financial metrics used to measure the university's fiscal health, which are based on historical data and the most current financial statements. Metrics include:

- **The EBIDA margin**, calculated by dividing EBIDA (earnings before interest, depreciation, and amortization) by operating revenue. It indicates the university's ability to support operations and generate cash to pay debt service and make strategic investments Sann noted that EBIDA was \$121M in fiscal year 2024, with a margin of 7.7%, clarifying that means that 92.3% of operating revenue was used to cover operating costs. She added that the university has been below the threshold in three of the last five years.
- **Total cash and investments to operating expenses**, which indicates how much available cash and cash equivalents the university has to meet annual operating expenditures. Sann noted that, at the end of FY2024, OSU had enough cash and cash equivalents to pay annual operating costs almost one full time (0.94 times), which is within the board established range.
- **Total cash and investments to adjusted debt**, which indicates OSU's ability to repay debt and pension obligations with operating assets that generate investment returns. Hesano noted that, in fiscal year 2024, the university could have repaid 60% of its debt and pension obligations with total cash and investments on hand.
- **Debt service coverage**, which indicates how many times the annual debt service can be paid from cash flow available after paying operating expenses. Hesano noted that the debt service coverage ratio in FY2024 was below the board's established range, an expected dip due to the \$40M general revenue note maturing.

Trustee Luther asked whether the established ranges for financial metrics are appropriate, given that the university has been below the threshold for several years. Sann explained that the ranges were reviewed in 2021 to align with changes in methodologies used by Moody's and peer universities and that they are broad and depend on factors like state support.

Trustee Chambers asked how the university plans to address rising operating costs that outpace income. The response from Vice President for Finance and Administration Carla Ho'ā emphasized the need for a long-term view and a combined approach of examining expenses and exploring opportunities for growing revenue. Ho'ā added that the university can't "cut its way to greatness in the future."

b. Housing Planning Vision Update

Paul Odenthal, senior associate vice president for administration; Bruce Daley, associate vice president for University Facilities, Infrastructure and Operations; Dale Bettencourt, capital construction project manager; and Stephen Jenkins, associate vice provost and executive director of University Housing and Dining presented this agenda item.

Jenkins explained that the plan aims to increase campus housing capacity from 5,000 to 7,500 beds over the next decade, enabling the university to house 30% of its students on campus. He noted that the proposed increase would add more apartment- and suite-style beds to better meet the needs of all students, including upper division and graduate students.

He cited renovation plans for six existing residence halls, updating roughly 1,600 beds, and expanding or replacing dining centers to meet increased demand and improve service.

Jenkins stressed that expanding campus housing supports student success, citing data shows that students who live on campus during their first year are more likely to graduate. He added that the plan aims for universal design by making accessibility improvements that meet ADA-related needs.

In addition to constructing or acquiring suite- and apartment-style housing, Jenkins noted that phase 1 of the plan includes renovating traditional residence halls to improve restroom privacy and reduce economy triples and constructing a district utility plant to drive heating and cooling needs.

Bettencourt noted that the project will displace parking and that the team is considering both alternative sites for parking and sustainable transportation options to lower the demand for single-occupancy vehicles. Daley noted the potential to build taller buildings (up to eight stories) to gain cost savings and increase the number of beds.

Odenthal gave an overview of next steps. He noted that the size of the project has a regional impact on the power grid, and discussions are ongoing with the city and Pacific Power. He added that the project is still in the conceptual stage and that the team would come back to the board in the future with a capital project stage gate proposal.

The following topics were addressed in discussion with trustees:

- **Building usage:** Board Chair Hernández asked whether the new buildings are intended for lower division or upper division students. Jenkins indicated that the buildings are primarily for first- and second-year students to reduce waitlists for admission. Hernández asked if older dorms had been renovated, and Jenkins said some have and some have not. Part of the plan is to renovate those spaces for plumbing and greater restroom privacy.
- **Renovation vs. new construction:** Trustee McClure asked about the balance between renovating existing dorms and building new ones. Jenkins answered that six buildings need renovation, and cash funding is preferred for renovations to avoid adding debt.
- **Financial considerations:** Trustee Chambers asked about the financial impact of the project and how it affects the university's overall financial position. Vice President for Finance and Administration Carla Ho‘ā mentioned that upcoming meetings and the capital forecast would reflect those considerations.
- **Housing vision goals:** Trustee Bulger asked about the housing vision goal of being able to house 30% of OSU students on campus and what that meant for first year students. Jenkins noted OSU's first year live-on requirement and said 92-94% of the first-year population that fell under that requirement lived on campus their first year.
- **Parking and transportation:** Trustee Mirho asked about the impact on student parking and support for students who need to commute. Odenthal indicated that new parking spaces would be created and his team would work to ensure adequate parking.

c. Preliminary FY2025 Tuition Scenarios and Education and General Budget Planning

Vice President for Finance and Administration Carla Ho‘ā and Associate Vice President for Budget and Resource Planning Brent Gustafson presented the preliminary tuition scenarios for fiscal year 2025. Jon Boeckenstedt, vice provost for enrollment management, was available to answer questions via Zoom.

Ho‘ā provided an overview of the data points that inform a recommendation for tuition rates, including tuition and fee revenues; state funding projections and compensation growth; comparisons with university peers; and the impact on access and affordability, especially for Oregon resident students. She noted that state support for public universities in Oregon is low compared to the national average.

Gustafson provided background on the tuition setting process, in which the University Budget Committee (UBC) makes a recommendation to the president, who then makes a recommendation to the board. He added that student engagement is facilitated through tuition forums co-hosted with student government.

Gustafson noted that OSU’s tuition rates are in the middle range among peer institutions and emphasized the university’s efforts to support access and affordability for Oregon resident students, particularly those with high financial need.

The following topics were addressed in conversation with trustees:

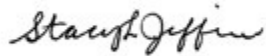
- **Inflation and tuition increases:** Trustee Chambers asked about keeping tuition increases in line with inflation. Gustafson noted multiple measures of inflation, including the consumer price index and personal compensation expenditure. He said the OSU prefers the CSL (continued service level), or what it would cost next year to do what is being done this year.
- **Student involvement:** Trustee Bonanno asked about student involvement in the tuition setting process. Gustafson noted modest attendance at tuition forums despite efforts to engage students through partnerships with student governments.
- **State support and competitiveness:** Trustee Bonanno cited a national trend in higher education of first dollar and last dollar scholarship programs and asked how OSU and the state of Oregon would stay competitive. Jon Boeckenstedt, vice provost for enrollment management, clarified that those programs only cover tuition – not room and board and other expenses. He said the big question was federal funding and what happens with Pell Grants and student loans.
- **Foundation support:** Trustee Hale asked about the role of the OSU Foundation in supporting lower tuition rates. Ho‘ā noted the need to think through the university’s priorities when approaching donors with requests. Provost and Executive Vice President Ed Feser added that scholarships could be packaged more effectively to make use of the endowments the university already has.
- **Resident vs. nonresident students:** Committee Chair McClure asked if OSU was still accepting all qualified Oregonians, rather than aggressively pursuing non-resident students. Boeckenstedt confirmed that was the case, citing recent admission rates in the mid-80s for Oregon residents and in the high 70s for non-resident students.
- **State funding and legislative timeline:** Committee Chair McClure noted the board would vote on tuition in March, before state funding is known. She suggested looking harder at state support and encouraged trustees to attend the Oregon State Day at the Legislature.

- **Student worker compensation and affordability:** Trustee Mirho asked how OSU is supporting access and affordability for students outside of federal and institutional scholarships, grants and aid and if student worker compensation would keep in line with inflation. Gustafson noted that reliance on institutional support and available public programs is how financial aid is packaged. He added that, while work study is part of that package, OSU does not approach student work as a direct tool for student affordability.

6. Adjournment

With no further discussion or business before the committee, Committee Chair McClure adjourned the meeting.

Respectfully submitted,



Stacy Jeffries
Executive Assistant, Office of the Board of Trustees