



Meeting of the Finance and Administration Committee

October 24, 2024

10:55 a.m. – 2:00 p.m.

Memorial Union Horizon Room

MINUTES

Committee members present: Kasaundra (Kassy) Bonanno, Karla Chambers, Susan Clark, Lisa Hale, Carla Ho’ā (*ex-officio*), Grant Kitamura (*vice chair*), Toby Luther, MJ Mirho (*non-voting*), Román Hernández (*ex-officio*)

Committee members absent: Elise McClure (*chair*)

Other trustees present: Kate Carter-Cram, Maria Chávez-Haroldson, Greg Macpherson, Julie Manning, Jayathi Murthy, Camille Palmer

University staff present: Andrea Ballinger, Jackie Bangs, Penny Burgess, Tim Carroll, Bruce Daley, Ed Feser, Alix Gitelman, Becca Gose, Brent Gustafson, Carla Ho’ā, Heather Hesano, Jen Humphreys, Stacy Jeffries, Stephen Jenkins, Paul Odenthal, Rob Odom, Melanie Rose, Irem Tumer, Patti Snopkowski, Scott Vignos, Monika Watkins, Ryan Wilson

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

Committee Vice Chair Grant Kitamura called the meeting to order. Board Secretary Jackie Bangs called the roll and verified a quorum.

2. Vice President for Finance and Administration’s report

Committee Vice Chair Grant Kitamura welcomed new FAC committee members Lisa Hale, Toby Luther and MJ Mirho. He introduced Carla Ho’ā, the university’s new vice president for Finance and Administration and chief financial officer. He noted her experience of nearly three decades as a leader in higher education, most significantly at the University of Colorado Boulder, where she was instrumental in developing and implementing long-term financial strategies, fostering a culture of transparency, enhancing stakeholder engagement and creating dynamic, long-range financial initiatives.

Ho’ā began her first report to the board by expressing gratitude for the warm welcome at OSU and acknowledging the complexity of her role. She thanked Mike Green, the outgoing VPFA / CFO, for staying on longer to help with her transition, as well as members of her team who worked hard to prepare updates for the committee.

Ho’ā discussed how the role of a university chief financial officer has evolved from a focus on transactions and operations to one that requires being a connector, collaborator and strategist. She announced her plans to cultivate relationships with key stakeholders and find opportunities to use both new and existing resources to accelerate progress toward the goals in *Prosperity Widely Shared*.

She provided brief housekeeping notes regarding items on the consent agenda, including the FY2024 fourth-quarter investment report, the FY2024 third-quarter investment report (which was emailed to trustees in August because it was not available at the May meeting) and the FY2024 fourth-quarter

operating management report, all of which are retrospective and contain no major items of note. She added that the FY2025 first-quarter reports would be discussed in more detail at the January meeting to help trustees understand their role in the board's fiduciary oversight responsibility.

Trustees welcomed Ho'ā to OSU. Trustee Chambers stressed the importance of Ho'ā's leadership in areas like athletics and her ability to bring fresh eyes to the university's financial operations. Board Vice Chair Chávez-Haroldson expressed appreciation for Ho'ā's collaborative, strategic approach.

3. Consent agenda

- a. Minutes of the May 16, 2024 Finance & Administration Committee Meeting**
- b. FY2024 Q3 Investment Report**
- c. FY2024 Q4 Investment Report**
- d. FY2024 Q4 Operating Management Report**

A motion to approve the consent agenda was made by Trustee Chambers, seconded by Trustee Luther and approved by all committee members in attendance. The motion carried.

4. Action items

- a. 2025 FAC Work Plan and 2024 Assessment Results**

Committee Vice Chair Grant Kitamura introduced the committee's annual self-assessment and the review of its work plan within the context of the committee charter.

Kitamura noted that the work plan could be adjusted to accommodate emerging issues but stressed that many items for the Finance and Administration Committee are tied to regular financial reports and the tuition and fee setting process, which are fixed on the calendar.

He reported positive feedback overall from the self-assessment and highlighted key points made by committee members, including the importance of being intentional, engaging strategically and building an understanding of the university's financial operations for new trustees and leadership.

Kitamura noted differing opinions from committee members regarding the meeting materials: Some praised the detailed reports, while others suggested that briefer dockets focused on broader themes might be more beneficial, with dense details included in an appendix.

Board Secretary Jackie Bangs suggested that committee members review the charter and the board policies particular to the Finance and Administration Committee, especially given the number of trustees new to the committee this year and last.

Vice President for Finance and Administration Carla Ho'ā emphasized that the tuition and fee setting process on the committee's work plan is among the board's most important decisions and responsibilities. She also noted her team's efforts to add key takeaways to the docket materials and expressed willingness to explore different approaches to providing the committee with the necessary information at the right level of detail.

Trustee Luther, Trustee Clark, Trustee Chambers and Board Chair Hernández expressed appreciation for efforts to streamline materials, which helps the committee focus on the most important issues. Hernández also commended Ho'ā and her team for their work in getting preliminary tuition scenarios to the board in January.

Committee Vice Chair Kitamura sought a motion to accept the 2025 committee work plan and 2024 assessment results. A motion was made by Trustee Hale, seconded by Trustee Chambers and approved by all committee members in attendance. The motion carried.

b. Public University Fund Investment Policy Amendments

OSU Treasury Director Heather Hesano and Executive Director of the University Shared Services Enterprise (USSE) Penny Burgess provided an overview of the proposed amendments to the public university fund (PUF) investment policy, highlighting the rationale behind the changes.

Hesano explained that the PUF is an investment pool administered by OSU on behalf of all Oregon public university participants and noted that the board is responsible for approving the PUF investment policy as part of its fiduciary oversight responsibilities.

She noted that OSU has engaged USSE staff to enhance investment operations and provide critical support services including operational support, analytics, policy compliance monitoring and reporting.

Burgess noted that five of the seven Oregon public universities including OSU participate in the PUF. She said the PUF provides universities with exposure to short- and intermediate-term fixed income securities, with the Oregon State Treasury managing the investment pools.

She reported that the PUF administration staff initiated an investment structure change on July 31, 2024, to divest of the liquidity pool called the Oregon Short-Term Fund, necessitating revision of the policy. The recommended revisions include:

- Removing the capital preservation guidelines for the liquidity pool and updating the investment objective towards a total return focus in alignment with the core bond fund
- Revising the portfolio allocation table to remove the liquidity pool reference and refine the description for the intermediate-term pool
- Expanding the policy compliance section to include manager communication guidelines when portfolio credit quality changes are a result of U.S. Treasury credit downgrades
- Removing the short-term allocation reference from the performance expectations associated with the PUF investment policy.

It was further noted that one benefit of these changes is that ordinary business operations will no longer trigger realized gains or losses, only allocation decisions will. Another benefit is that each individual university will have the ability to optimize cash flow through investment allocation decisions.

Hearing no questions or discussion, Committee Vice Chair Kitamura sought a motion to recommend to the board approval of the proposed public university fund investment policy amendments. A motion was made by Trustee Luther, seconded by Trustee Hale and approved by all committee members in attendance. The motion carried.

c. Capital Project Stage Gate I: Richardson Hall Chiller Mid-Life Renewal

Associate Vice President for University Facilities, Infrastructure, and Operations Bruce Daley and Capital Renewal Project Manager Ryan Wilson presented this agenda item.

Daley began the presentation with an overview of the stage gate process for capital projects, explaining the phases from programming to design development and construction. He noted that all projects over \$10M come to the board for approval.

Daley provided information on the Richardson Hall chiller mid-life renewal project, which addresses a refrigeration system used to manage the building's heating and cooling. He noted that renewal projects focus on critical building systems like mechanical, heating, ventilating and cooling and that electrical, plumbing and seismic upgrades and a new roof are also sometimes included. He reported that the

project budget was originally below the \$10M threshold requiring board approval but exceeded that amount as additional needs were identified.

Wilson provided details about Richardson Hall, a 101,000 square foot building built in 1999 that serves as a hub for education, research and administration for the College of Forestry. He noted a current budget of \$14.75M for the building's renovation and added that temporary trailer-mounted chillers would provide cooling during the work. Wilson reported that the project was on schedule, with expected completion in winter 2025. He added that the upgrades were expected to extend the building's lifespan and reduce energy consumption in alignment with OSU's commitment to sustainability.

In discussion with trustees, Wilson noted that the comprehensive study for the project was conducted by an external partner.

Trustee Clark asked about the sustainability upgrades, and Wilson said the new chiller was the primary efficiency metric. Daley added that the new chiller was expected to save over \$80,000 in energy costs annually.

In response to a question from Trustee Hale, Wilson indicated that about half of the building was lab space.

Board Chair Hernández expressed appreciation to Daley for providing an overview of the stage gate process at the beginning of the presentation and encouraged other presenters to include similar background, considering the number of new trustees on the board.

Committee Vice Chair Kitamura sought a motion to approve advancing the Richardson Hall chiller mid-life renewal project to the next phase of design development. A motion was made by Trustee Chambers, seconded by Trustee Clark and approved by all committee members in attendance. The motion carried.

5. Discussion items

a. Ten-Year Business Forecast Update

Vice President for Finance and Administration Carla Ho'ā and Associate Vice President for Budget and Resource Planning Brent Gustafson gave an update on OSU's ten-year business forecast.

Ho'ā emphasized that the forecast is not a budget, but a tool to help trustees understand the university's financial position over a longer time horizon based on various assumptions. She noted that today's update would explain how the university is recalibrating targets and timing related to several key areas of *Prosperity Widely Shared* (PWS) after engaging Huron Consulting Group to pressure test the PWS *pro forma* analysis.

Gustafson gave an overview of adjustments in the areas of Ecampus and research, given their size, scope and significance to PWS. He noted the original goal of growing Ecampus to 30,000 students by 2030 and reported that Huron's assumptions were more conservative. He said the updated estimate still assumes progress toward the 30,000 goal but on a longer time horizon.

In the discussion that followed, Trustee Chambers suggested outreach to alumni could be valuable in growing Ecampus.

Board Vice Chair Chávez-Haroldson asked if the *pro forma* practice was a new approach, and Gustafson explained it is a starting point analysis commonly used for new programs and capital projects to understand operating costs. He noted that financial *pro forma* are not typically applied to strategic plans, but that long-term planning is one of OSU's strengths.

Gustafson noted the original PWS stretch goal of \$600M for externally sponsored research. As with Ecampus, Huron's assumptions in this area suggested a slower rate of growth. The updated forecast reflects a longer time horizon to achieve the goal and grow the research portfolio.

In discussion, Trustee Luther stressed the importance of a sensitivity analysis and understanding the range of potential outcomes. Ho'ā and Gustafson agreed it was important to scrutinize spending, track trends and see where intervention is necessary.

Trustee Chambers asked about the growth in research over the past 10 years and how it compares to the research projections in PWS. President Murthy said OSU had seen double-digit growth for the past two years, but she and Ho'ā both stressed that the trajectory of growth in research isn't always smooth, as external circumstances change and new opportunities arise. Vice President for Research and Innovation Irem Tumer noted increased competition and shrinking budgets for agencies that provide grant funding.

Trustee Macpherson commented that the research goal seemed probable while the Ecampus goal seemed aspirational, and Provost Feser stressed the importance of not abandoning the aspirational goal for Ecampus, which is key to the success of PWS.

Trustee Manning commented about the need to balance early investments with timing of revenue recognition and make a front-end investment in faculty for Ecampus to grow enrollment. Committee Vice Chair Kitamura commented on the prevalence of advertising for Ecampus programs and suggested OSU would need to take a similar approach. In response to an earlier comment from Trustee Chambers about marketing Ecampus to alumni, Feser noted that 496 out of roughly 11,000 current Ecampus students were OSU alumni.

b. Capital Project Status Report

Senior Associate Vice President for Administration Paul Odenthal; Associate Vice President for University Facilities, Infrastructure and Operations Bruce Daley; and Director of Capital Project Delivery Monika Watkins provided an overview of the capital projects currently underway at OSU. They highlighted the progress, challenges and strategic planning involved in maintaining and improving the university's facilities.

Odenthal stated that the committee typically sees updates on capital projects twice per year: in the spring for the ten-year capital forecast and in October for the report of ongoing projects.

Daley highlighted several completed projects, including the Patricia Valian Reser Center for the Creative Arts (completed in Feb. 2024), aimed at supporting the integration of STEM and the arts; upper division and graduate student housing (completed in Sept. 2024), which added 221 beds for students; the Cordley Hall renovation (completed this summer), which transformed the space into a hub for research; and the ship operations dock at the Hatfield Marine Science Center, which was upgraded to accommodate new research vessels.

Monika Watkins discussed projects nearing completion, including the Washington Way Civil Improvement Project that enhances campus safety with a widened street and dedicated bike and pedestrian paths; the Cascade Campus Student Success Center scheduled to open in Jan. 2024 as a venue for academic and career advising, health and wellness and student life; the Withycombe Hall renovation nearing completion; a new housing facility in Newport expected to be completed by summer 2025; and the PacWave project for energy generation through sea waves, nearing completion in December.

Daley discussed the challenges of deferred maintenance to replace aged systems that have reached the end of their life expectancy. He reported that the university has reduced deferred maintenance from \$859M to \$710M.

In response to a question from Board Chair Hernández, presenters confirmed that residence hall construction would increase university housing capacity from 5,000 to 7,500. Hernández noted the high percentage of OSU's revenue coming from tuition and pointed out the university can't admit more students without increasing housing capacity.

In response to a question from Board Vice Chair Chávez-Haroldson, Daley said stressors in the construction and labor markets continued to present a challenge to getting things built. He also noted quality issues and the need to increase oversight to compensate. Odenthal added that the supply chain still hasn't completely recovered after the pandemic.

Trustee Chambers praised the overall look and feel of the Corvallis campus and thanked the team involved in building and maintaining OSU's facilities and infrastructure.

c. FY2025 Operating Budget Update

Vice President for Finance and Administration Carla Ho'ā and Associate Vice President for Budget and Resource Planning Brent Gustafson provided an update on the actual fiscal year 2025 operating budget following approved by the board in May, noting that budget projections are updated in the fall as the university gains a better understanding of key elements like state funding and student enrollment.

Ho'ā reported that the university is seeing strong enrollment growth and significant increases in tuition revenue overall, but that the revenue is slightly less than what was originally projected in May.

Trustee Chambers asked about opportunities for cost containment and the impact of inflation on expenses. Gustafson pointed out that the university was actively engaged in bargaining with two large employee groups and would have a better estimate of personnel costs – its largest expense category – once settled labor contracts were in place. He added that no specific budget updates had yet been made with regard to modulating data on inflation. Ho'ā mentioned that the Administrative Modernization Program (AMP) is expected to generate cost savings and support the university in focusing resources more effectively on mission-based work.

d. Administrative Modernization Program (AMP) Update

Provost and Executive Vice President Ed Feser, Vice Provost and Chief Information and Technology Officer Andrea Ballinger and Dean of the College of Business Tim Carroll (chair of the AMP steering committee) joined Ho'ā to provide an update on the Administrative Modernization Program (AMP).

Ho'ā emphasized the importance of AMP in supporting the university's mission and the strategic goals outlined in *Prosperity Widely Shared*. She highlighted the program's focus on reducing administrative burdens; designing processes for student, faculty, and staff success; and generating cost savings.

Feser discussed AMP's alignment with the university's mission, emphasizing the transformation of business processes rather than simply replacing old IT systems. He outlined the principles guiding the project, including intentional community engagement, transforming business processes and ensuring the organization remains nimble and capable of continuous improvement.

Carroll provided a status update, noting that the project is moving from the design phase to the implementation phase. He highlighted the role of change champions, who are respected domain experts across the university, and the use of a chatbot for two-way communication. He also mentioned extensive community engagement and feedback efforts, including a listening tour and readiness assessments.

Ballinger discussed the complexity of the project and the importance of organizational change management. She provided an update on the budget, noting that the original estimate of \$50M had increased to \$81.3M due to inflation in the IT market and increased labor costs. She emphasized the anticipated return on investment, with a goal of generating at least \$10.8M in ongoing savings by fiscal year 2028.

In the discussion that followed, Carroll explained the role of the university's organizational change management vendor, Deloitte, in training individuals designated as change champions. Board Vice Chair Chávez-Haroldson asked a follow-up question about how champions were selected, and Ballinger explained that her team had gone to deans and department heads and asked for volunteers, purposely seeking people from underrepresented sectors.

Trustee Hale asked about the project timeline and when complete cutover would occur. Ballinger said the project would be turned on July 1, 2026, with an optimization period of plus or minus six months. Hale also stressed the importance of retaining subject matter experts.

6. Adjournment

With no further discussion or business before the committee, Vice Chair Kitamura adjourned the meeting.

Respectfully submitted,



Stacy Jeffries
Executive Assistant, Office of the Board of Trustees