MINUTES

Committee members present: Patty Bedient, Kasaundra (Kassy) Bonanno, Karla Chambers, Susan Clark, Mike Green (ex-officio), Grant Kitamura (vice chair), Elise McClure (chair), Kirk Schueler (ex-officio)

Other trustees present: Román Hernández, Greg Macpherson, Julie Manning, Jayathi Murthy, Inara Scott

University staff present: Jackie Bangs, Bruce Daley, Kevin Dougherty, Alix Gitelman, Becca Gose, Brent Gustafson, Heather Hesano, Jen Humphreys, Stacy Jeffries, Rebecca Mathern, Prem Mathew, Paul Odenthal, Rob Odom, Lissa Perrone, Melanie Rose, Heidi Sann, Patti Snopkowski, Irem Tumer, Scott Vignos

Invited guests: Thomas Toepfer (PFM Financial Advisors LLC)

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

Committee Chair Elise McClure called the meeting to order at 9:57 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 delivered his report to the committee.

Green reminded trustees of OSU’s strategy for funding the Athletics budget at a level that allows them to compete at a “Power Five” conference level for the next two to three years. He said this would allow OSU’s student-athletes to continue competing at the highest level as the Pac-12 conference and the university pursue options to rebuild or realign the conference.

Green reported that the 2025 Athletics budget is still being finalized and an updated plan for fiscal year 2025 will be included as a part of the operating budget that the board will consider in May.

Green then discussed the university’s financial planning around implementation of the new strategic plan, Prosperity Widely Shared, noting that the updated ten-year forecast incorporates a preliminary financial projection for the plan’s implementation.

Green added that OSU also recently engaged Huron Consulting to review the university’s financial pro forma and inform strategies regarding sequencing of investments and risk mitigation. He said Huron would help the university identify milestones, then devise a suite of metrics and mechanisms to track efficiencies and savings, identify risks and mark progress toward strategic goals. In closing, Green mentioned he plans to present an update to the ten-year business forecast to the board at its October meeting.
3. Consent agenda
   a. Minutes of the January 18, 2024 Finance & Administration Committee Meeting
   b. FY2024 Q2 Operating Management Report
   c. FY2024 Q2 Investment Reports

Trustee Bedient made a request to remove the FY2024 investment reports from the consent agenda, and Committee Chair McClure sought a motion to approve the consent agenda without the investment reports. A motion was made by Trustee Chambers and seconded by Trustee Bedient. The consent agenda was approved by all committee members in attendance. The motion carried.

4. Action items
   a. FY2024 Q2 Investment Reports

The committee revisited the FY2024 investment reports originally on the consent agenda.

Trustee Bedient had questions about the Calvert International Responsible Index and the Neuberger Berman small cap equity fund. She said she understood the Calvert underperformance was because the benchmark included fossil fuels, which the board voted to exclude from its investments several years ago. Green noted that the fossil fuel industry has become a big investor in green technology and said the university might want to reconsider its position. Bedient emphasized the importance of focusing on fund performance from time to time, given the large investments the committee oversees.

Trustee Bedient had an additional question about the PERS side account, which reflected a performance of -13% for the quarter. She asked if that negative performance was partly due to amortization of that account, which Green confirmed. He said that PERS information could be disaggregated in the next report to reflect the overall strength of the investment.

Committee Chair McClure sought a motion to approve the FY2024 investment reports. A motion was made by Trustee Bedient, seconded by Trustee Chambers and approved by all committee members in attendance. The motion carried.

   b. Ten-Year Business Forecast

Joining Mike Green to present this item were Brent Gustafson, associate vice president for budget and resource planning, and Paul Odenthal, senior associate vice president for administration.

Green reminded the board that the university prepares an updated ten-year business forecast each April that incorporates the forecast for university operations and capital over the next 10 years. He said the intention was to provide the board with a forward-looking financial picture that represents the best estimates of outcomes for the university’s operating actions and capital investment plans.

Green added that the current update incorporated a financial pro forma developed to project outcomes for goals in Prosperity Widely Shared, the university’s strategic plan. He added that the board would see a revision to the business forecast in October after the university works with consultants to refine the pro forma.

Gustafson noted changes from last year’s forecast, most notably inclusion of the strategic plan goals. He provided a projection of revenues for the education and general funds, which anticipates aggressive growth of Ecampus enrollments. He said an upward trajectory was also assumed for restricted funds like grants due to expectations that implementing Prosperity Widely Shared would grow OSU’s research portfolio. Gustafson reported a mixed picture for self-support 2units expected to cover their own costs.
through charges and operations. He added that *Prosperity Widely Shared* anticipates increased revenue but also requires investments that put pressure on fund balances.

Green stressed the need to put some metrics in place to make sure the university does not experience a linear progression of its administrative costs without gaining efficiencies.

Trustee Bedient noted that the benefit of the ten-year operating forecast was to provide an early look at what might be coming down the road so adjustments can be made as necessary, and thanked Green for pointing out the university would need to look for efficiencies. Green noted that the strategic plan was meant to be bold but was not without risk.

In response to a question from Trustee Bedient about enrollment growth, Gustafson explained that overall net enrollment in Corvallis would be higher due to the size of the fall 2023 freshman class, but the university does not have the physical capacity to accommodate a class bigger than that. He said growth on the Corvallis campus was the relative position of the incoming versus outgoing class, then some modest improvements in retention rates.

Trustee Chambers commented on the assumptions for tuition increases, noting significant inflationary pressures on American consumers. She suggested stress testing the university’s revenue model. Green said the university continues to make the case with the State of Oregon that its current funding level for higher education continues to be insufficient to meet local inflation increases. He noted anticipated business efficiencies, including those provided by the Administrative Modernization Program (AMP) now underway, adding that modernizing the university’s systems also requires expensive investments. Green mentioned the addition of much-needed support services for students, which also increases the university’s costs. Trustee Bedient added that 65% of OSU's revenue comes from tuition and 76% of its expenses go toward labor and benefits, with those costs only expected to rise.

Trustee McClure commented on tuition increases rising faster national inflation and suggested that the university should emphasize the state's declining financial support over time. Green said part of the issue is that the legislature is looking at state-wide demographics that indicate there won't be more students to serve, and they're struggling with how much to invest in all of the state's higher education institutions.

President Murthy noted the difference between OSU’s inflation – which comes from salaries and benefits – and Consumer Price Index inflation, which is a national rate tied to the price of commodities like food, gas or energy.

Vice Chair Hernández reminded trustees that the state legislators who attended the board’s fall retreat expressly stated that K-12 was their public education priority. He suggested OSU consider ways to bring more legislators to campus to take part in activities and events and see the impact OSU has on the economy by producing an educated workforce.

Trustee Bedient questioned how the absolute amount the state allocates to higher ed was distributed to the various institutions. She noted that OSU’s enrollment was going up while other institutions’ enrollment was going down and said the state needed to make difficult decisions about how they allocate funding if they expect OSU to support its increased enrollment. Green pointed out that, despite funding increases from the legislature in recent years, higher ed in Oregon was still significantly underfunded compared to other states and that was a key issue driving costs.

Trustee Chambers noted impacts on the taxpayer and repeated her appeal to deal with the cost side of the equation and examine how the university delivers services.

Trustee Macpherson offered input on the process of public funding as someone who had served in the state Legislature. He noted that since the higher ed sector is the only significant service funded by the
state that has another revenue source (tuition), he was doubtful of increased state funding in the future and urged trustees to recognize the overarching political dynamics.

The presentation resumed with Paul Odenthal providing details of the capital forecast. He clarified that the board’s acceptance of the capital forecast was not an approval for any projects, which would be brought before the board for individual consideration, but it allows for initial planning expenditures to develop projects’ scope and budgets.

Odenthal gave an overview of major projects underway and called out the notable buy-in from OSU-Cascades students, who approved a $20M investment from student fees for the student health and recreation center on the OSU-Cascades campus.

Odenthal quoted a figure of $3.4B across ten years for the entire plan. He gave an overview of the funds and resources for the projects, with contributions from the state covering about 20% of the total cost and 80% coming from grants, donors, new debt and other sources. He noted that the capital forecast is projected to remove about $590M in deferred maintenance costs.

Green noted that OSU was the only university in the state to put operating dollars into the capital budget to address deferred maintenance, adding that what the university had accomplished was remarkable given the levels of funding it had to work with. Trustee Bedient commended Green and his team for the work done on deferred maintenance across campus, adding that the university was educating more students with less square footage and that facilities looked much better than when she joined the board.

Trustee Manning asked about donor funding or other grants for historic building preservation for buildings like Community Hall. Odenthal said leveraging other funding sources was a big part of the planning process, and the university works closely with the OSU Foundation during the process.

Committee Chair McClure asked presenters for their opinion on the biggest potential risks on the revenue side of Prosperity Widely Shared, adding that growth of Ecampus was her primary concern. Green agreed that growth of Ecampus was a significant risk, since the university’s ability to invest in other areas of the strategic plan was dependent on Ecampus revenue. Green also emphasized the strength of Ecampus and said he felt the risk is manageable. He cited tuition pricing elasticity as something to think about, along with economic factors with the state and significant increases in insurance costs.

In response to a question from Trustee Kitamura, Green clarified that future financial projections were based on today’s dollars with inflation factored in, along with enrollment growth and FTE needed to support it.

Committee Chair McClure sought a motion to recommend to the board that it accept the fiscal year 2024 through 2033 ten-year business forecast including the ten-year capital forecast. A motion was made by Trustee Bedient, seconded by Trustee Clark and approved by all committee members in attendance. The motion carried.

**c. Biennial Funding Request to HECC: Capital**

Paul Odenthal, senior associate vice president for administration, provided an overview of the biennial funding request to the Higher Education Coordinating Commission (HECC).

He noted that the HECC prioritizes requests against its equity lens and strategic roadmap with a heavy focus on capital renewal. He added that OSU-Cascades was considered as a separate institution within this capital request process.
Odenthal gave an overview of projects included in the funding request to the HECC: the heat plant repurpose and Community Place infrastructure project and the OSU-Cascades student health and recreation center and land development project.

Trustee Manning asked about the scoring rubric for evaluating projects, and Odenthal clarified that OSU does not score its own projects; the point scale is set by the HECC, and their staff scores projects after they are submitted. Manning asked what the HECC’s review process looked like after proposals were submitted. Odenthal explained that the review for projects submitted now goes through August and includes review by HECC staff along with possible site visits. He said once HECC comes out with project scores, they will share them with the universities, who have time to engage before the commission votes on prioritization and sends their list to the governor for the budget. Manning asked if universities ever got a suggested global number to work with. Green said that number was determined in part by the state’s debt capacity, which is also affected by other state agencies and state needs. Manning asked if presenters knew what other universities were requesting. Odenthal said he expects the submission list to be $500M - $600M worth of projects again this cycle, competing for what has historically been about $200M in funding.

Chair Schueler emphasized the OSU-Cascades project as renewal of the land on a former construction dump and pumice mine, noting the land being reclaimed initially had very little value and was purchased from the county for a dollar, with the agreement that OSU would conduct a thorough reclamation process.

Committee Chair McClure sought a motion to approve the 2025 – 2027 capital funding request presented in Table 1 to guide the development of the capital requests for submittal to the HECC. A motion was made by Trustee Clark, seconded by Trustee Bedient and approved by all committee members in attendance. The motion carried.

d. FY2025 Tuition Rates, Mandatory Fees and Student Incidental Fees

Mike Green and Brent Gustafson presented the fiscal year 2025 tuition rates, mandatory fees and student incidental fees.

Green reported that that University Budget Committee (UBC) had recommended a tuition increase that would provide funding for continuing operations and new investments like those proposed in Prosperity Widely Shared. He also recognized the impacts of inflationary cost pressures on students.

Green added that a tuition increase above 5% would require approval by the Higher Education Coordinating Commission (HECC), which would mean OSU would not have tuition rate certainty until late in an enrollment management process already facing significant challenges due to a delay of the federal government’s new financial aid application (FAFSA) process. He said that making good on the promises of Prosperity Widely Shared goals would require investments, and if tuition rate increases are lower, the university will have fewer resources to invest.

Gustafson noted that maintaining the current service level would require a significant 7.05% increase in tuition. He noted the possibility of a multi-year approach to tuition increases, noting tuition could potentially spike high enough during that time to require HECC approval. He reported that the president’s recommendation for base undergraduate tuition for returning students was a 4.65% increase.

In response to a question from Trustee Chambers, Gustafson clarified that the forecast considered possible scenarios and it would be up to the board whether or not to increase tuition at those levels. He
clarified that the ten-year forecast is an analytical exercise and is not meant to force decisions. Green added that the board’s acceptance of the ten-year forecast did not mean it was approving future tuition raises suggested in that document.

Chair Schueler noted that tuition increases might be higher over the next few years, since the UBC recommended 7% and the president recommended under 5%. Green confirmed that was one possible strategy the university could employ. Schueler reiterated that tuition increases wouldn’t drop dramatically and were likely to be elevated above normal in future years if the university needed a 7% increase this year.

Trustee Bonanno said students were experiencing a cost-of-living crisis and would be graduating into a highly competitive job market. She asked if the university was considering other ways of keeping tuition affordable. Green said the university was investing in systems to improve efficiency and reduce cost but also noted the increasing expense of providing much-needed student services. Bonanno asked if the university would be hurt in the future if it didn’t approve a more significant tuition increase now. Green noted the UBC had recommended a higher increase to ensure the university could maintain its current level of service; without that increase, Green said there would not be enough money in the budget to cover inflation costs in various units across campus. He acknowledged there was a risk that services would be hurt by a lower tuition increase.

Vice Chair Hernández asked how long the process would take if the university had to go to the HECC for approval of a tuition increase above the 5% threshold, adding the need to inform families and students of tuition rates effective in the fall. Green said the university was working to package financial aid now for fall term and it would be better to know tuition rates now to give students certainty. He said HECC has confirmed that they would consider addressing raises over 5% earlier in their calendar in the future.

Trustee Macpherson asked if there was any feedback from other institutions regarding the process of getting HECC approval. Green reported that his conversations with colleagues across the state indicate no other institutions are seeking an approval from HECC this spring. Green noted HECC had approved increases above 5% in the past and added that colleagues had found the process challenging. Green said that the HECC had delayed the approval process for the University of Oregon and Portland State University, making them return to present more justifications, though their requests were approved in the end.

Trustee Bedient asked what the bottom line looked like if the university went with the recommended 7% increase in tuition. Green reported it was a difference of $10M revenue between a 4.65% increase and a 7.05% increase, with the caveat that costs projected in the budget may not come to fruition. Bedient urged the board to recognize that approving a lower tuition increase now would not make the decision any easier next year.

Trustee Scott reiterated Trustee Bonanno’s concerns about how students would be impacted by this decision, adding the same was true for faculty and staff. She cited repeated references to “finding efficiencies,” noting that, in an organization dominated by labor, “efficiencies” were humans who would be asked to do more. She noted strategic plan goals of growing enrollment and hiring more faculty, and emphasized the challenge of doing that with fewer resources. She urged trustees to think about why the UBC had recommended a tuition increase of 7%, emphasizing they were the group tasked with thinking deeply about the issue.
President Murthy noted that if the university held tuition increases below 5% now, there would be future years when tuition would be higher than inflation, and years when it would be lower. She said it was a question of longer-term financial planning. Trustee Bedient noted the need for cuts if the board approved an increase of less than continuing service costs, and Murthy stressed the need to mitigate extreme ups and downs in tuition increases.

Chair Schueler asked about the projected deficit of $4.3M without a larger tuition increase, noting it was six-tenths of a percent, which he didn't see as a significant budget shortfall. Green agreed the budget challenge would be limited and will need to be managed, and agreed with the strategy to “take the top of the waves off” to prevent tuition spikes over the coming years.

Trustee Bedient stressed the need for a conversation with the HECC about the ways OSU’s board has been mindful of the pain caused by tuition increases and the accompanying raises to institutional financial aid required to offset those increases.

Committee Chair McClure said the points that resonated with her were the impacts on students, professors and programs; the opportunity for trustees to be involved with the HECC; and moving the tuition and fee setting process up to January instead of April next year.

The chair sought a motion to recommend that the board establish the fiscal year 2025 tuition and mandatory fees at the rates of a 4.65% increase for Corvallis and OSU-Cascades, a 5.15% increase for new undergraduate students at Corvallis and OSU-Cascades and a 4.65% increase for Ecampus students continuing and new. A motion was made by Trustee Bedient and seconded by Trustee Chambers. Trustee Bonanno abstained, and all other committee members voted aye. The motion carried.

**e. Capital Project Change to Approved Budget: Kelley District Utility Plant**

This agenda item was presented by Bruce Daley, associate vice president for University Facilities, Infrastructure and Operations and Ryan Wilson, capital renewal project manager.

Daley gave an overview of the Kelley District Utility Plant and explained that the increased budget was due to expanding the scope of the project to accommodate future building development near the Jen-Hsun Huang and Lori Mills Huang Collaborative Innovation Complex.

He said the increased scope of the project would require an additional $11.1M in funding for five key factors that have increased the cost: electrical service; expanding the design of the mechanical room to address space constraints; an accelerated timeline to keep pace with the Huang Collaborative Innovation Complex; a major upgrade of the roofing system; and cooling tower upgrades for future needs.

Wilson provided an update on construction of the project, which will triple the capacity of the previous Kelley plant. He reported that the roofing work was complete and the new main plant equipment was scheduled to arrive in mid-July, representing a significant milestone for the project.

Committee Chair McClure sought a motion to recommend to the board approval of a budget increase for the Kelley District Utility Plant project to bring the total project budget to $23.1M. A motion was made by Trustee Chambers, seconded by Committee Chair McClure and approved by all committee members in attendance. The motion carried.

**f. Debt Policy and Liquidity Management Policy Amendments**
OSU Director of Treasury Heather Hesano presented proposed amendments to the debt policy and liquidity management policy.

Hesano reported that the proposed changes are intended to clarify and delineate roles and responsibilities related to the board’s debt management approval process related to the use of short-term debt in the liquidity management policy, which incorporates possible needs to fulfill strategic plan initiatives.

Vice Chair Hernández asked if the proposed changes were requested by the Finance and Administration Committee, which had asked staff to revise policies as needed. Hesano confirmed that feedback had been incorporated into the proposed amendments.

Committee Chair McClure sought a motion to recommend to the board adoption of the amended debt policy and liquidity management policy. A motion was made by Trustee Chambers, seconded by Trustee Bedient, and approved by all committee members in attendance. The motion carried.

g. Short-term Debt Resolution

Heather Hesano was joined by Mike Green, Vice President for Finance and Administration, and Thomas Toepfer, managing director at PFM Financial Advisors LLC, to present a debt resolution for short-term refinancing.

Green provided background on the university’s short-term financing program, established in 2017 as a tool for the university’s internal bank to help manage capital project financing. He said the proposed short-term financing program would allow for the most effective implementation of the capital investments contemplated in the ten-year capital forecast.

Hesano added that the short-term financing would be used as interim funding for capital projects to bridge receipt of secured pledges or until other funding is received, adding that the debt policy identifies the approved financing sources available for consideration and the liquidity management policy provides the framework for utilization of the short-term debt.

Toepfer gave an overview of market conditions impacting decisions to provide maximum flexibility while borrowing at the lowest rates. He added the short-term financing tool was useful in managing the cost of capital and advancing the strategic plan.

Trustee Bedient noted a 30-year term and asked how that was considered short-term. Hesano said the commercial paper program the university is looking to establish would be created for up to 30 years, but the university would have the option of using it for a shorter period. Toepfer clarified the tool would be available for 30 years, but the university could discontinue use at any time.

Chair Schueler asked if there was an annual fee for keeping the program in place. Toepfer said there would be an annual fee of a quarter percent, and the university would only pay interest costs if it had actual commercial paper outstanding. Schueler asked about the source of repaying short-term debt in 180 days. Hesano said to think of it like revolving credit: when the note matures, you can either roll it over, pay it off or pay it down, adding the university would pay off the notes whenever possible to avoid interest.

Schueler asked how the university went from a $50M program to a $125M program. Hesano said the university had $40M outstanding on the authorization of up to $50M and has used it to support tax-exempt projects. She said the university was establishing a $100M commercial paper program with an
additional $25M available if it found a tool that managed the taxable need for the university in a low-cost way. She said the maximum amount is not expected to be utilized in full immediately. Green suggested his team report back to the Finance and Administration Committee about this program quarterly to provide brief updates on its implementation and how it is being used.

Committee Chair McClure sought a motion to recommend to the board adoption of the general revenue notes resolution authorizing the university to issue notes from time to time and enter into a credit facility or liquidity facility with the aggregate principal amount not to exceed $125M. A motion was made by Trustee Bedient, seconded by Trustee Chambers and approved by all committee members in attendance.

5. Discussion items
   a. Update on Student Financial Readiness

Lissa Perrone, director of business services, Rebecca Mathern, associate vice provost and university registrar, and Prem Mathew, associate dean for undergraduate student development in the College of Business provided an update on the student financial readiness program.

Mathern provided background on the impetus behind the program, which was developed to help students make the best financial decisions and avoid incurring debt without finishing a degree.

It was further noted that the program includes education and proactive intervention before students are in financial crisis, and OSU has enhanced its payment plans and provided one-time grants to help students through the transition to a new lower $500 debt limit on student accounts.

Presenters reported that the program was already achieving the desired outcomes for students of high financial need; first generation students; and students of color, adding that administrators will continue to track outcomes and integrate student feedback into the program.

Trustee Chambers commended presenters for their work and stressed the importance of financial literacy.

Trustee Bonanno asked what happened when a student reached the $500 account balance threshold. Perrone explained the process, with review of student account balances beginning two weeks before the opening of registration for the next term; emails sent to students whose account balance exceeds the threshold a week before registration; and a block on registration the day before it begins if the account balance has not been paid down.
6. Adjournment

With no further discussion or business before the committee, Chair McClure adjourned the meeting at 2:10 p.m.

Respectfully submitted,

Stacy Jeffries
Executive Assistant, Office of the Board of Trustees