



Meeting of the Finance and Administration Committee

January 18, 2024

10:45 a.m. – 1:25 p.m.

Virtual Meeting Held via Zoom

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: Maria Chávez-Haroldson, Román Hernández, Greg Macpherson, Julie Manning, Jayathi Murthy, Inara Scott

University staff present: Jackie Bangs, Sherm Bloomer, Jon Boeckenstedt, Nicci Dolan, Toni Doolen, Kevin Dougherty, Katie Fast, Alix Gitelman, Becca Gose, Brent Gustafson, Heather Hesano, Jen Humphreys, Stacy Jeffries, Paul Odenthal, Rob Odom, 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 10:45 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.

He gave an update on Athletics finances, focusing on Pac-12 conference assets, liabilities and near-term budget impacts following recent litigation that put OSU and Washington State University in charge of the conference. He added that there is still uncertainty around a media agreement, conference and network operating plans and potential liabilities of the conference, so impacts on the Athletics budget going forward were still being determined.

Green said OSU was seeking support from the Oregon legislature, the OSU Foundation and other potential funding sources to create a budget that puts OSU Athletics in a position to continue competing at a Power Five level.

Green also discussed the efforts of the Division of Finance and Administration's Diversity, Equity and Inclusion Advancement Committee. The committee is currently developing recommendations around priorities that include establishing peer-to-peer support for new division employees; expanding DEI awareness and knowledge through training; implementing more best practices for recruiting and

retaining diverse employees; and promoting opportunities for employee appreciation and peer recognition for work efforts.

In closing, Green announced the hiring of Associate Vice President for Budget and Resource Planning Brent Gustafson, who started at the beginning of December.

3. Consent agenda

- a. Minutes of the October 19, 2023 Finance & Administration Committee Meeting**
- b. FY2024 Q1 Operating Management Report**
- c. FY2024 Q1 Investment Reports**
- d. Updated 2024 Work Plan**

Trustee Bedient noted that both the bond repayment investment and the long-term equity for the Calvert Funds continue to come in under benchmark. She requested a conversation about evaluating that performance at a future meeting.

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

4. Action items

- a. Internal Bank Annual Report**

Associate Vice President for Finance and Controller Heidi Sann and OSU's Director of Treasury Heather Hesano presented the report. Vice President for Finance and Administration Mike Green joined Sann and Hesano to provide background on the internal bank.

Presenters gave an overview of the purpose of the internal bank and described efforts to manage OSU's cash flows and debt portfolio more strategically to improve investment returns, reduce the university's borrowing costs and increase flexibility in how funds are deployed.

Chair Schueler asked for a breakout of loan balances and where they originate, in addition to the sources of repayment when the university lends money. Hesano said the largest borrowers were central E&G funds, University Housing & Dining Services and Intercollegiate Athletics. She added that funds were comingled and not tied to a specific repayment source, with the university diversifying the in-flow of funds. Scheuler said it was important for trustees to understand the risks in this pool and how they tied into the success of the internal bank.

Trustee Chambers asked about the top risks of the internal bank. Hesano said the university was able to borrow substantial funds when rates were at historic lows, and that utilization of those funds has allowed work on major strategic initiatives. However, she noted that the difference between the debt service and the income the university was receiving helped push the internal bank into a negative position because it doesn't hold a large reserve. Hesano stressed the importance of being able to leverage on a portfolio basis rather than looking at individual units. Green said he felt OSU was in good financial shape going forward, pointing out that all bond issuances have been long term bullet maturities, and the university can restructure or refinance that debt.

Trustee Bedient asked about the budgeted deficit for 2024 and asked if some of that deficit might go away because of potential unrealized gains on investments the university hasn't budgeted for at this point. She asked about sharing potential strategies for management of those funds at the April board meeting. Sann explained that the university does not budget unrealized gains or losses and that they could swing either way. Hesano added there would be robust conversation at the April board meeting, including line of credit-type financing to support the new strategic plan.

Committee Chair McClure sought a motion to accept the Fiscal Year 2023 Internal Bank Annual Report. A motion was made by Trustee Bedient, seconded by Trustee Chambers and approved by all committee members in attendance. The motion carried.

b. Debt Resolution: Long-term Refinancing

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

Green explained that the board's approval was being sought to purchase back some of the university's taxable debt that was issued at a low rate.

Hesano and Toepfer walked the board through the opportunity and provided additional context for the proposed debt resolution and the parameters of the authorization sought from the board.

In response to a question from Chair Schueler, Toepfer confirmed that the 3% savings was net of any transaction costs.

Trustee Bedient commended the debt management proposal and said it underscored the wisdom of earlier decisions to issue taxable bonds. In response to a question about the interest rates, Toepfer explained that the university is able to consider buying back existing bonds at a discount because of the change in taxable rates.

Committee Chair McClure said moving from taxable to tax-exempt bonds seemed like a risk. Hesano confirmed that risk was part of the analysis the university would be conducting to identify projects that would not be likely to have private use (including utilities like the steam tunnel) and make sure there were no limitations created on future use of university spaces.

Committee Chair McClure sought a motion to approve the General Revenue Bonds 2024 Resolution as shown in Attachment 1, authorizing the university to execute a bond transaction to refinance current outstanding General Revenue Bonds, with the aggregate principal amount not to exceed \$100M, and if at least a 3% net present value savings is achieved. A motion was made by Trustee Chambers, seconded by Trustee Bedient and approved by all committee members in attendance. The motion carried.

5. Discussion items

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

Mike Green was joined by Nicci Dolan, executive director for budget development and strategic planning, and Jon Boeckenstedt, vice provost for enrollment management to present on this topic.

Presenters provided a preliminary overview of what the University Budget Committee is considering for recommended tuition rates in academic year 2025, and how that might impact budget planning for next year. It was noted that a range of tuition rate increases were modeled between 4.25% to 6.10%, with the caveat that the final recommendation may be higher depending on the results of collective bargaining underway.

Trustee Chambers asked if Boeckenstedt could explain to newer board members what's driving the increase in applications, especially in light of recent Pac-12 events that might be expected to have a negative impact on enrollment numbers. Boeckenstedt noted several key factors, including new strategies for managing prospective student inquiries and communications; thinking of financial aid as a contra revenue against tuition revenue; committing to the Bridge to Success program to cover the full

cost of basic tuition and fees for the highest ability, lowest income Oregonians; and OSU's participation in the Western Undergraduate Exchange.

Trustee Chávez-Haroldson asked about geographic or demographic information on tuition waivers. Boeckenstedt said he did not have those breakdowns handy but could address them in his report to the Academic Strategies Committee in the spring.

Trustee Macpherson asked how the university was preparing for the large projected increase in Ecampus. Boeckenstedt said his department was working with Ecampus to reengineer the transfer process so that courses are articulated at the point of admission (instead of after the student is admitted and pays a deposit). He added work was also underway on a system that would allow prospective students to send a transcript before they apply and get feedback on how their courses would articulate and how they would fit into a degree program at OSU.

Trustee Scott commended the Ecampus team and how they were delivering incredible growth for the university. She said the quality of the university's programs should also be recognized among the things OSU is doing right to continually increase enrollment. She asked if OSU's tuition was in the middle of the pack for other land grant / public institutions and how the university was thinking about tuition in combination with the new strategic plan, particularly the "every student graduates" component. Boeckenstedt said he had several years of data that could put OSU's published tuition price and fees into context against the national landscape. He added that the same could be done for net price by income level to show how financial aid policies reduce cost for students with financial need. He also emphasized the difficulty of factoring in the extent to which Oregon does or does not allocate resources toward the support of four-year institutions.

In closing, Dolan said the University Budget Committee would solicit input from the community and make a recommendation to the president at the end of February on tuition rates for the 2025 academic year, with final tuition recommendations presented to the board for consideration at its April meeting. She added that university staff would bring a fiscal year 2025 budget to the board for approval in May.

b. Update on the Corvallis Shared Responsibility Budget Model Review

Nicci Dolan was joined by Toni Doolen, dean of the University Honors College, to provide an update on the Corvallis Shared Responsibility Budget Model. Sherm Bloomer, chancellor and dean of OSU-Cascades and Brent Gustafson, associate vice president for budget and resource planning, were on hand to answer questions.

Dolan gave an overview of the various elements of OSU's operating budget, with Doolen providing details of recent updates to the Corvallis campus budget allocation model. Presenters explained to the committee how university budgets incentivized actions aligned with the strategic plan and provided flexibility for leaders making college-level resource allocation decisions.

Dolan and Doolen noted that recently approved changes to the budget model were intended to distribute revenues to colleges in alignment with the new strategic plan – continuing to incentivize Ecampus growth, degree completions, and robust Corvallis enrollments.

In response to a question from Trustee Chávez-Haroldson, Doolen explained that "CIP-based weights," referred to national curriculum codes for classifying instructional programs, which historically connected to the cost of delivering certain programs. Doolen added that eliminating CIP weights from OSU's budget model is more equitable because it means, for example, that a credit hour in the College of Engineering receives the same budget amount as a credit hour as the College of Education.

Chair Schueler asked what changes would be implemented to mitigate the impact of Ecampus growth. Doolen explained that all credit hours are treated the same in the new budget model. She said there would be a bonus for delivering Ecampus courses to distant students, but not for delivering Ecampus courses to a Corvallis resident student. Schueler asked if the growth projected for Ecampus in the new strategic plan would impact the current budget model, and Doolen said that a group was working on a pro forma for the new strategic plan to determine where central investments needed to be made as well as what would happen financially at the college level.

c. 2019-2023 Financial Metrics Update

Heidi Sann, associate vice president for finance and controller and Heather Hesano, OSU's director of treasury, provided an overview of OSU's financial metrics and trends over the past five years.

Chair Schueler noted that the presentation says the calculation would be adjusted by Moody's when the financial statement analysis is complete. He asked if Moody's has historically made large adjustments to any of OSU's metrics. Hesano said they typically did not, but added that Moody's would also utilize their own calculation for pension obligations and that it does not align with OSU's financial statement values.

Hesano noted in closing that a forward-looking perspective on the university's financial health would be included with the updated ten-year business forecast at the April meeting.

d. 2023 Committee Assessment Results

Committee Chair Elise McClure, Board Secretary Jackie Bangs and Vice President for Finance and Administration Mike Green presented the 2023 assessment results for the Finance and Administration Committee.

Bangs provided an overview of the committee assessment process, noting that the same survey questions had been used every year to accumulate that data over time and provide consistency.

Green was interested in seeing next year's numbers, given the number of new trustees and how their perspective on how well the committee operates might develop.

Committee Chair McClure added that she and Committee Vice Chair Grant Kitamura are new to their roles and would appreciate ongoing communication and input from committee members, rather than waiting until next year's assessment.

6. Adjournment

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

Respectfully submitted,



Stacy Jeffries
Executive Assistant, Office of the Board of Trustees