



## The Board of Trustees of Oregon State University

---

### Meeting of the Finance and Administration Committee

May 16, 2024

9:40 a.m. – 12:25 p.m.

Memorial Union Horizon Room

### 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: Shanon Anderson, Andrea Ballinger, Mike Bamberger, Jackie Bangs, Penny Burgess, Tim Carroll, Becca Gose, Mike Green, Brent Gustafson, Heather Hesano, Jen Humphreys, Stacy Jeffries, Paul Odenthal, Rob Odom, Melanie Rose, Irem Tumer
- 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. 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 and Chief Financial Officer for Intercollegiate Athletics Jacque Bruns provided details on the fiscal year 2025 budget for Athletics.

They reiterated the university's strategy to maintain funding for OSU Athletics at the level of a Power Five program over the next two years while seeking cost reductions and replacement revenue from other sources including the Pac-12 conference, the legislature, philanthropy and institutional support.

Bruns described how OSU Athletics seeks to meet its legal and compliance obligations in ways that also support OSU's community values, providing examples that highlighted equity concerns and academic achievements.

Green explained the plan to invest institutional support of \$9.3M in 2025 and \$11.3M in 2026, adding that the funding level would be adjusted depending on the outcomes of any future conference realignments and the work to rebuild the Pac-12 conference. Green noted that this level of funding is what would be necessary at a less competitive conference level, such as the Mountain West, due to less competitive conference and media revenues.

In response to a question from Chair Schueler, Green and Bruns clarified that the labor numbers in the schedule are gross numbers, adding that financial support from the OSU Foundation would partially offset the labor numbers.

Trustee Chávez-Haroldson asked about the change in institutional support. Green explained the decision to ramp up institutional support in the near term, making investments now and potentially reducing them in the future by achieving higher revenue than typically seen in a Group of Five athletic conference.

Trustee Chambers asked about the total debt level and how debt repayment will impact the budget over the next five years. Green indicated that those numbers are expected to remain static going forward, and there is no current plan to address the cumulative deficit.

In response to a question about fundraising from Committee Chair McClure, Bruns noted the success of Dam Proud Day, with an increase in the total number of donors and some sports bringing in double and triple the money they previously did.

Trustee Chambers asked how Athletics might capitalize on new revenue sources relating to NIL (Name, Image, and Likeness). Bruns highlighted the separation between the department's revenue and NIL activities, with the collective facilitating NIL opportunities for student-athletes.

Trustee Kitamura noted the complexities of NIL legislation and asked if state regulations helped or hurt OSU. Bruns noted regulation at the federal, NCAA and state levels, with regulations varying from state to state. She added that the Athletic department is not allowed to do any kind of NIL engagement or set up deals and has to rely on the collective for those activities.

President Murthy asked if the university's NCAA membership could be affected if it doesn't follow NCAA rules. Vice President and General Counsel Becca Gose explained that the NCAA realizes its rules cannot trump the law, citing a previous example in which the NCAA ultimately changed its policies.

Green returned to his report to discuss the recent confirmation of OSU's Aa3 credit rating by Moody's Investors Service. He also informed trustees that a less detailed process than usual was used to develop the third quarter operating management report due to the lack of time between the board's April and May meetings this year.

### **3. Consent agenda**

- a. Minutes of the April 4, 2024 Finance & Administration Committee Meeting**
- b. FY2024 Q3 Operating Management Report**

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

### **4. Action items**

- a. Change to Approved Budget: Administrative Modernization Program**

Green was joined by Vice Provost and Chief Information and Technology Officer Andrea Ballinger, Provost and Executive Vice President Ed Feser and Dean of the College of Business and Chair of the AMP Steering Committee Tim Carroll to present a proposed change to the approved budget for the Administrative Modernization Program (AMP) from \$50M in university revenue bond proceeds to \$81.3M in bond proceeds.

Feser emphasized the importance of creating a platform that supports digital engagement in higher education, where students, faculty and staff expect technology to be flexible, adaptive and always available. He added that AMP aims to support a faster rate of innovation across teaching, research and administration while also providing significant cost reductions. Feser also noted that AMP was aligned

with strategic plan goals of serving a more diverse learner base and supporting Ecampus and OSU-Cascades.

Ballinger stressed the importance of engaging with the university community, noting that the AMP team has been in communication with at least 800 people to ensure broad involvement in the change process. She emphasized the organizational change management approach of preparing individuals for change, ensuring they are comfortable using the new technology and involving them in testing and feedback. She said the project was on time but acknowledged continued risks and challenges.

Carroll explained that the increase in the proposed budget for the Administrative Modernization Program was driven by three primary factors: (1) an expanded project scope, adding \$5.3M; (2) escalation in the cost of vendor contracts due to increased demand for talent, adding \$16.8M; and (3) the addition of contingency reserves and incentive funding, adding \$9.2M.

Green stressed the benefits of an improved user experience, lower administrative burden and the expectation of a strong return on investment.

Committee Chair McClure emphasized the significant increase in cost from one year ago but said she was not surprised, adding that her experience with similar projects has been that they never come in on time or on budget. She expressed concern that the contingency amount might be too low.

Trustee Clark said she was looking forward to the change as someone who deals with Banner. She highlighted the educational value of modernizing administrative tools, citing her work with student employees and adding they weren't being adequately prepared for the workforce if they're training on outdated systems.

Trustee Bedient echoed Chair McClure's lack of surprise at the cost increases. She asked about the consultants, and Ballinger clarified that contracts with Deloitte, Qron and Workday had been negotiated with incentives to ensure the consultants have a stake in the project's success.

In response to a question about the steering committee from Trustee Bedient, Carroll said the team included leaders from across the university to ensure a comprehensive approach to organizational needs.

Trustee Bedient asked about the implementation timeline. Ballinger said the public kick-off was scheduled for this summer, with implementation of the first module (adaptive planning for the budget) set for next spring. Bedient emphasized the importance of prioritizing training, even if budget or timing pressures became a future concern.

Trustee Chambers again echoed a lack of surprise about the increased budget. She expressed concern about the risk of using only a fraction of the new system's capabilities. Ballinger noted that OSU's contract for the enterprise system includes only the functional modules OSU is planning to use in the near-term, and that the university would not purchase tools it would not use.

Vice Chair Hernández emphasized the importance of risk mitigation and aligning procurement decisions with legal advice as contracts are finalized.

Trustee Chávez-Haroldson asked how the university would work with supervisors as they deal with the possible challenges of implementation. Ballinger explained that Deloitte's strategy includes creating

change agents within units and maintaining clear communication channels to manage the transition effectively.

Trustee Scott highlighted the challenge of preventing isolation across units during the implementation and stressed the need to create cross-functional teams to foster connections. Ballinger explained the cohort model of the implementation, adding that participants would receive OCM (organizational change management) certifications at the end of the process.

Committee Chair McClure sought a motion to recommend to the board approval of an increase in the initial allocation of general revenue debt to fund AMP and the interim debt service from \$50M to \$81.3M. A motion was made by Trustee Bedient, seconded by Trustee Chambers and approved by all committee members in attendance. The motion carried.

**b. FY2025 Operating Budget**

Green was joined by Associate Vice President for Budget and Resource Planning Brent Gustafson to provide operating budget details for the board's consideration.

Green noted that the operating budget reflects the university's commitment to supporting the goals of *Prosperity Widely Shared* and includes estimates of enrollment-related revenues and self-support funds that will be finalized in the fall, as well as state funding, which has some variability.

Gustafson highlighted the collaborative effort behind the budget planning process. He provided a high-level overview of revenues and expense obligations and a detailed breakdown of the major operating funds, noting that the budget incorporates estimated growth in enrollment and tuition and fee rate changes approved at the April board meeting.

Trustee Bedient noted the deficit shown on the presentation slide for total revenue and expenses and asked if the deficit would be approved or if there were plans to balance the budget. Gustafson explained that the difference between \$1.84B in revenue and \$1.87B expenses was almost entirely attributable to the change in Outdoor School and the expected spend-down of that accumulated fund balance.

Trustee Bedient mentioned uncertainties around enrollment caused by the troubled federal financial aid application system (FAFSA) roll-out and asked if those issues would be resolved by June 1. Vice Provost for Enrollment Management John Boeckenstedt explained that the university is about 11% behind its 2022 pace and 15% behind its 2023 pace but has been closing the gap by about one percentage point per day. He said if that trend continues, OSU will end up somewhere between the 2022 and 2023 outcomes – close to record student enrollment.

Trustee Bedient further inquired about the budget deficit at Cascades and the enrollment projections for that campus. Gustafson clarified that the negative number shown for Cascades is due to intra-fund transfers, with money that will ultimately be transferred to Cascades currently showing up in the Corvallis column. Feser noted that the current enrollment projections for OSU-Cascades represented a revised and more realistic target of 2,200 (down from 3,000 – 5,000 by 2030). He added that 2,200 is what the university can support with the infrastructure it has planned for OSU-Cascades.

Trustee Chambers commented on the risks associated with the budget, suggesting it might be prudent to carry larger buffers in a higher-risk environment. She also emphasized the importance of marketing and public relations to communicate the value provided by the university.

Trustee Bonanno asked about the ongoing challenges with FAFSA and whether the issues are expected to continue into next year. Boeckenstedt noted that the FAFSA situation is 95% fixed but the

university was still feeling the effects of the nearly three-month launch delay. He expressed confidence that the situation would be resolved by next fall and noted the university's ongoing efforts to support students who faced difficulties with FAFSA.

President Murthy asked Boeckenstedt if it was too late for OSU to adopt a new approach, for example like West Virginia's need-based grant program. Boeckenstedt said the Higher Education Coordinating Commission (HECC) might be able to do something for this year but added that state government can't do anything about Pell Grants or student loans – only state aid.

Chair McClure requested updated enrollment information as numbers firm up over the summer.

The chair sought a motion to recommend to the board approval of the proposed operating budget for fiscal year 2025. A motion was made by Trustee Chambers, seconded by Trustee Bonanno and approved by all committee members in attendance. The motion carried.

### **c. Debt Resolution: Long-Term Refinancing Amendment**

Mike Green was joined by OSU Treasury Director Heather Hesano and Thomas Toepfer of PFM, the university's financial advisor, to present details of the proposed debt resolution.

Presenters explained that the long-term refinancing amendment to the board's debt policy would increase the amount authorized for refunding bonds from \$100M to a maximum of \$175M to expand the potential for estimated cost savings created by the refunding. It was further noted that bond refinancing is only authorized if it creates at least a three percent net present value savings.

Committee Chair McClure sought a motion to recommend to the board adoption of the General Revenue Bonds 2024 Resolution authorizing the university to execute a bond transaction to refinance current outstanding General Revenue Bonds with the aggregate principal amount not to exceed \$175M, and if at least a 3% net present value savings is achieved. A motion was made by Trustee Bedient, seconded by Trustee Chambers and approved by all committee members in attendance. The motion carried.

## **5. Discussion items**

### **a. Campus Safety: Risk Management Report**

Senior Associate Vice President for Administration Paul Odenthal; Chief of the OSU Police Department and Vice President for Public Safety Shanon Anderson; and Manager of Emergency Preparedness Mike Bamberger presented a risk management report on campus safety.

They detailed OSU's efforts over the past year to mitigate risks and better provide for a safe physical environment across the university's locations, as well as actions the Department of Public Safety has taken to develop a high state of readiness to respond to threats and emergencies.

Trustee Manning expressed gratitude for the efforts to keep the campus safe. She asked about the differences in accreditation standards between campus-based police and city police departments. Anderson clarified that – while basic laws and best practices remain the same – there are differences around Title IX expectations, Clery requirements and safety notices. She added that the national accreditation sought is from IACLEA (International Association of Campus Law Enforcement Administrators), which differs from the CALEA (Commission on Accreditation for Law Enforcement Agencies, Inc.) accreditation used by municipalities.

Trustee Bedient reflected on the university's decision not to continue the contract with Oregon State Police, which used to provide campus safety services. She commended Anderson and the team for their accomplishments in building the department and achieving 90% of their hiring goals.

Odenthal added praise for Chief Anderson and the team for recruiting individuals committed to community-informed law enforcement and commended the team's dedication to the university's mission.

Vice Chair Hernández asked about the "in case of emergency" posters and the risk of a breakdown in communication in determining who is responsible for locking down buildings and doors in an emergency. Bamberger said his team had worked with building managers, faculty and staff responsible for locking doors to make sure they were prepared. He noted the future goal of implementing remote locks on exterior doors that could be activated to lock down buildings.

Chair Schueler commended the team for creating a campus-based, community-focused department, noting the positive transformation since the departure of the state police.

**b. Sustainable Investments in OSU's Investment Policy**

Treasury Director Heather Hesano and Executive Director of the University Shared Services Enterprise Penny Burgess presented an update on environmental sustainability considerations in investing.

They noted that the board established an investment policy several years ago that excluded investments in fossil fuels, adding that the change had been informed by faculty and student input. Hesano and Burgess explained that some of the companies excluded from OSU's investment portfolio are currently the ones making the greatest investments in sustainable alternative energy like wind and solar.

After discussion with investment advisors and fund managers who specialize in ESG (Environmental, Social and Governance) investing, university staff is recommending a change to OSU's policy to proactively "screen in" investments that meet multiple financial and value-based goals, rather than screening out companies that don't match investment goals.

Chair Schueler shared his experience on a board focused on ESG investing that is considering similar changes and emphasized the importance of recognizing companies' efforts toward sustainability. He asked what role students would have in the proposed change, given their involvement in the initial creation of the policy. Hesano said there were plans to engage the ASOSU, the ASCC and the Sustainability Council, and that there had already been initial conversations with the Executive Committee of the Faculty Senate.

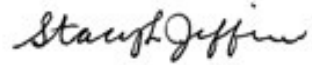
Trustee Scott raised concerns about determining which companies have credible plans to move toward net zero – as opposed to those engaged in simple "greenwashing," citing examples from the strategic plans of the major oil companies. Hesano emphasized the treasury team's role in ensuring due diligence with investment managers and continually evaluating companies based on ESG factors.

Trustee Macpherson inquired whether the policy extends to endowment funds. Hesano explained that the investment policy only applies to operating funds, with endowment funds managed by the OSU Foundation and covered under its investment policy.

## **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