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

Committee members absent: Karla Chambers

Other trustees present: Maria Chávez-Haroldson, Greg Macpherson, Julie Manning, Jayathi Murthy, Inara Scott

University staff present: Jackie Bangs, Penny Burgess, Nicci Dolan, Toni Doolen, Kevin Dougherty, Katie Fast, Ed Feser, Becca Gose, Heather Hesano, Jen Humphreys, Stacy Jeffries, Deb Mott, Paul Odenthal, Rob Odom, Shalece Rains, Melanie Rose, Heidi Sann, Patti Snopkowski, Irem Tumer, Monika Watkins, Scott Vignos

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

   Committee Chair Román Hernández called the meeting to order at 10:10 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 presented updates to the committee.

   He gave a brief overview of financial impacts to the Athletics budget due to changes in the Pac-12 conference. He noted that staff are taking a variety of actions as they seek to fill a revenue gap of over $40M in the near term and expect to have a more detailed update for the board later this year.

   Green also alerted the committee to the need to consider updating the board’s investment policies due to an out-of-compliance condition related to the university’s fossil fuel prohibition. He added that staff will consider updating strategies to ensure the university’s investment program aligns with its values around sustainability. He noted further that staff will be connecting with key university constituents to explore policy options and bring any recommended policy changes to the committee early next calendar year.

   In closing, Green updated the committee on the progress with the recruitment of a new associate vice president for budget and resource planning.
3. Consent agenda  
   a. Minutes of the June 1, 2023 Finance & Administration Committee Meeting  

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

4. Discussion items  
   a. Capital Project Status Report  

Paul Odenthal, senior associate vice president for administration, and Monika Watkins, director of capital project delivery, provided an update on the status of capital projects previously approved by the board for the Corvallis campus, the OSU-Cascades campus and Newport.

Odenthal highlighted projects that are substantially complete, including renovations to Reser Stadium; upgrades to the ship dock in Newport to support the arrival of the new research vessel Taani; renovations to Cordley Hall, the largest building on campus; and construction of the Patricia Valian Reser Center for the Creative Arts (PRAx), on track for completion in the spring.

Watkins provided an overview of projects under construction on the Corvallis campus, including new upper division and graduate student housing; mechanical upgrades to the Kelley District Utility Plant; infrastructure upgrades to Washington Way; major renovations to Weniger Hall; a complete remodel of the first and second floors of Gilkey Hall; and pending construction of the new student housing project in Newport.

Watkins also highlighted two key projects underway at OSU-Cascades: a land development project to make the area build-ready and install infrastructure for future buildings, and construction of the student success center, which will facilitate study and socialization.

In closing, Odenthal reported that the capital investments made have reduced deferred maintenance by about $125M since its peak in 2019.

Trustee Bedient asked how seismic resiliency needs across campus were being addressed. Odenthal said the university was trying to address vulnerabilities in key buildings. He noted that campus buildings run the gamut from unreinforced masonry to modern buildings that are seismic ready.

Trustee Bedient commended Odenthal's team for reduction of the deferred maintenance backlog, which she said was a major issue when the board was first formed.

Trustee McClure asked if there was a plan to prioritize projects on the deferred maintenance backlog. Odenthal said priorities were determined by several factors and his team tried to balance needs to produce the best results for the university.

Chair Schueler was impressed by the accuracy of the $160.9M project budget for Reser and asked how that target was achieved. Odenthal said it was a design-build contract with a guaranteed maximum price. He said there may be adjustments at the very end, but he does not expect them to be substantial.

In response to a question from Trustee Chávez-Haroldson, Odenthal clarified that maintenance needs for new buildings are built into the total ownership cost for the life of the building.

Trustee Manning asked how decisions are made regarding how buildings are repurposed, and Watkins said the university architect guides those decisions by evaluating need and availability.
Trustee Macpherson asked how the planned expansion of Ecampus outlined in the new strategic plan would affect capital construction needs. Odenthal said there were plans to expand Ecampus space to support those infrastructure needs.

b. FY2024 Operating Budget Update

Vice President for Finance and Administration Mike Green and Executive Director of Budget Development and Strategic Planning Nicci Dolan provided an update on the fiscal year 2024 operating budget approved by the board at its June 2023 meeting.

Green explained that when the board approves the budget in June, staff don’t always have the full financial picture – including final funding amounts from the state of Oregon and more precise fall enrollment numbers. He noted that staff come back to the board each fall with updated budget projections for the fiscal year.

Dolan provided an overview of the primary changes since June, noting that ending balances for self-support funds were better than originally anticipated due to increased ticket and concession sales in athletics and better than anticipated student occupancy and retention in University Housing and Dining. She added that Education and General funds are also anticipated to improve by $36.9M due to an increase in state funding and an increase in tuition and fee revenues.

Chair Schueler asked why the full amount of biennium funding from the state for some programs was dispersed at once, instead of part of it being deferred. Dolan said the unit receiving the funds has the option to spend the amount over two years or spend all of it in the first year and have no funding for the following year.

Trustee Manning asked about headcount enrollment and if the university envisioned having students fully enrolled in Newport in the future, given the new housing project. Dolan noted that Newport students are rolled into headcounts for the Corvallis campus, and Provost Feser clarified that the university did not anticipate students being at Newport for a full year.

Trustee Chávez-Haroldson asked what percentage of unrestricted funds go toward student aid, and Green and Dolan said they would have to dig into the numbers and get back to the board with an amount.

5. Action items
   a. 2024 FAC Work Plan

Committee Chair Román Hernández, Board Secretary Jackie Bangs and Vice President for Finance and Administration Mike Green presented the 2024 FAC work plan.

At Hernández’s suggestion, Green spoke to hard deadlines in place that affect the work plan, noting that actions like tuition and fee setting had to be done at certain times to allow for board approval and the HECC oversight process. He added that much of the work plan was structured around processes at OSU internally or at HECC and the state level.

Trustee Bedient said she would like to see updates for the $50M Administrative Modernization Project (AMP) included on the work plan. She cited previous board discussion about how similar projects at other institutions had gone off the rails. The decision was made to add several status updates next year from AMP staff.
Committee Chair Hernández sought a motion to approve the 2024 FAC Work Plan. A motion was made by Trustee Bedient, seconded by Trustee Bonanno and approved by all committee members in attendance. The motion carried.

b. FY 2023 Q4 Operating Management Report

Heidi Sann, associate vice president for finance and controller, and Nicci Dolan, executive director of budget development and strategic planning, presented the fourth quarter operating management report.

It was noted that this backward-looking budget report – like the quarterly investment reports – is often included without discussion on the consent agenda. For this meeting, these two financial oversight reports were presented in greater detail to ensure that all trustees understand them, given their complexity and the need for some historical context.

Sann clarified that the board approves the budget for all operating fund groups in the spring.

Dolan noted one highlighted item on the report – for year-end services and supplies and capital outlay – that ended the year $10.5M higher than anticipated. She added that there were $4.5M of increased expenses for outdoor school programs, noting that school districts continued to receive state funding during the pandemic even though they weren’t providing programming, so the university built up a fund balance that it has only recently started dispersing to the school districts now that participation in Outdoor School programs has started again.

Dolan reported that ending unrestricted net assets were $22.4% of operating revenues, which she noted was outside the board established range of 10 – 20%. Trustee Bedient asked what that percentage would be without the Outdoor School piece, and Dolan said it would be 19.5% - back in the board’s approved operating range.

Trustee McClure asked what was included in “other” revenue, which is a substantial number. Dolan said the larger items in that category include Facilities and Administrative cost recovery dollars and interest income, adding there were also a number of smaller items included.

Trustee Bonanno asked if the Outdoor School was expected to accrue additional costs, and Dolan said they would be able to expend the fund balance they’ve built up.

Committee Chair Hernández sought a motion to approve the 2023 fourth quarter operating management report. A motion was made by Committee Vice Chair McClure, seconded by Trustee Bonanno and approved by all committee members in attendance. The motion carried.

c. FY2023 Q4 Investment Reports

Heather Hesano, director of treasury, and Penny Burgess, executive director of the University Shared Services Enterprise, walked the committee through the fourth quarter 2023 investment reports.

Hesano clarified that the reports provide an account of university assets supporting the committee’s fiduciary oversight responsibilities relating to investments. She noted that OSU’s investment policy is presented to the committee and the board for review on at least a biennial basis.

Board Chair Schueler asked about cash being held in banks. Considering what happened at Silicon Valley Bank, he wanted to know what precautions the university was taking regarding those funds. Hesano said the university fully collateralizes all deposits held within any bank accounts, both within the Oregon State treasury and at J. P. Morgan, where the university’s two operating cash accounts are.
Burgess provided an overview of key market performance considerations. She added that an investment report with market commentary and a report on the university’s investment performance would be provided to the board on a quarterly basis.

Trustee Macpherson asked about the extent to which assets are invested in private equity, where the value may be less reliable than those invested in public markets. Hesano said private equity investments are considered tier 3 longer-term investments that are managed by the OSU Foundation.

Committee Chair Hernández emphasized that the board still has oversight and fiduciary duty for investments managed by the OSU Foundation.

Chair Schueler asked about the report for operating assets, noting a significant decrease under OSU commercially developed assets. Burgess said the decrease reflected the publicly traded performance of the NuScale asset, which has been declining.

Committee Chair Hernández sought a motion to approve the fiscal year 2023 fourth quarter investment reports. A motion was made by Trustee Bedient, seconded by Committee Vice Chair McClure and approved by all committee members in attendance. The motion carried.

6. Adjournment

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

Respectfully submitted,

Stacy Jeffries
Executive Assistant, Office of the Board of Trustees