MINUTES

Committee Members Present: Darry Callahan (chair), Román Hernández (vice chair), Patty Bedient, Susan Clark, Kirk Schueler (ex officio), Mike Green (ex officio)

Committee Members Absent: Rani Borkar, Jax Richards

Other Trustees Present: Michele Longo Eder (via Zoom), Julie Manning, Preston Pulliams, Inara Scott


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

Committee Chair Darry Callahan called to the meeting to order at 1:41 p.m. Board Secretary Jackie Bangs called the roll and verified a quorum.

2. Vice President for Finance and Administration’s Report

Mike Green, vice president for Finance and Administration, delivered the report.

Green provided a status update on the OSU-Cascades Innovation District, a project the board approved for site development and future construction last May. He said a work group had been established to clarify the goals of the district as an asset to the university and an engine for regional economic development. Green anticipates the land development piece of the project will come to the board for consideration later this year.

Green was joined by Heather Riney, executive director of the Enterprise Project Portfolio Management Office to provide an administrative update about the ways OSU had addressed issues identified in a 2017 comprehensive review of the university’s business operations. They outlined ten challenges described in the review and the ways OSU has employed targeted projects and programs to address them.

Green and Riney closed with a brief discussion of initiatives underway to streamline and improve OSU’s business processes and systems, including the Administrative Modernization Program.

3. Consent Agenda
   a. Minutes of the October 27, 2022 Finance & Administration Committee Meeting
   b. FY2023 Q1 Operating Management Report
Trustee Bedient made a motion to approve the consent agenda, and Committee Vice Chair Hernández seconded the motion. The motion was approved by all trustees in attendance.

4. Action Items

a. **FY2023 Q1 Investment Reports**

Associate Vice President for Finance and Controller Heidi Sann, Executive Director of University Shared Services Enterprise Penny Burgess and OSU’s Director of Treasury Heather Hesano provided an overview of the FY2023 Q1 Investment Reports.

Sann noted that the reports provide an account of the university's assets and help support the board in its fiduciary duty to monitor investment performance.

Burgess spoke about a volatile market landscape for both equities and fixed income, citing inflation as the primary driver for negative market returns over the last year.

Hesano gave an overview of OSU operating assets, which have declined, and noted key activities that have impacted the 2021-2022 changes.

Trustees asked about reallocation strategies and the original rationale behind capping allocations for small- and mid-cap equities at 13% instead of 20%.

Trustee Schueler made a motion to accept the quarterly investment report, and Trustee Bedient seconded the motion. The motion was approved by all trustees in attendance.

b. **Investment Policy Amendment**

Heidi Sann, Penny Burgess and Heather Hesano remained at the speakers’ table to lead discussion on proposed amendments to the Investment Policy.

Hesano said the amendments included housekeeping edits to assist with readability of the policy, along with material changes proposed to increase the allowable allocations for small- and mid-cap equities from 13% to 20% and the allowable allocations for emerging markets from 7% to 10%.

Trustees discussed maximum caps versus ranges for investment tiers, definitions of tiers 1 – 3 in the policy, and the bond repayment reserve.

Committee Vice Chair Hernández made a motion to accept the amendments to the Investment Policy, and Trustee Schueler seconded the motion. The motion was approved by all trustees in attendance.

c. **Internal Bank Annual Report**

Heidi Sann and Heather Hesano provided information on the internal bank annual report.

Sann spoke about current and forecasted negative net positions and the chance to recover from market impacts. She discussed the major drivers for a $21.3M decrease to the net position.

She provided a look ahead to the end of fiscal year (FY) 2023, noting that budgeted earnings on cash flow would be lower than in past years because forecasted cash balances are declining. She said the budget reflects the expectation that the net position in the internal bank will continue to decline in FY2023 and begin to improve in FY2024.
Hesano provided information on the following:

- The source of funds used to make loans
- Loans made by the internal bank by borrowing unit
- The net cumulative future cash flow of the internal bank
- The internal bank debt portfolio plan of finance
- Bond repayment investment cumulative earnings assumptions compared to investment balances

Trustees asked for clarification on the internal bank debt portfolio and if there were concerns about the projected negative net asset position continuing into FY2023.

Trustee Bedient made a motion to accept the amendments to the Investment Policy, and Trustee Schueler seconded the motion. The motion was approved by all trustees in attendance.

5. Discussion Items

a. Preliminary FY2024 Tuition Scenarios and Education and General Budget Planning

Sherm Bloomer, associate vice president for budget and resource planning, provided a preliminary view of potential tuition rates and Education and General revenue and expense scenarios for fiscal year 2024.

Bloomer noted that projected operating results for the next several years look generally positive, though plans are being made in the event of a future recession driving lower-than-expected state funding and/or lower enrollment.

Trustees discussed the forecast that the Corvallis campus could reach capacity limits around 2027, which would result in discussions about enrollment strategies and OSU’s mix of revenues.

b. Update on the Corvallis Shared Responsibility Budget Model Review

Sherm Bloomer was joined by Toni Doolen, Dean of the Honors College, to discuss the university’s review of the Corvallis Shared Responsibility Budget Model.

The budget model is the way most funds are distributed to colleges, considering the costs to deliver different types of programs. Trustees learned about updates to the university’s budget development process that are being made and under consideration as a result of the review.

c. 2022 Financial Metrics Update

OSU’s Associate Vice President for Finance and Controller Heidi Sann and Director of Treasury Heather Hesano gave an update on 2022 financial metrics.

The review is part of the Finance & Administration Committee’s annual fiduciary oversight responsibilities.

Sann and Hesano reported that the metrics are largely positive and indicate that OSU is in good financial health, in part due to federal COVID funds the university received to support academic programs in 2021 and 2022.
d. Administrative Update: Supplier Diversity

Paul Odenthal, senior associate vice president for administration, Stephen Nelson, chief procurement officer and Christine Atwood, administrative and diversity manager, gave an update on supplier diversity.

They spoke about OSU’s supplier diversity efforts and shared data with the committee regarding the amount of work performed at OSU by small and diverse businesses.

They closed by noting that staff engage in numerous outreach events and continue to work with the business community to create more opportunities for small and diverse firms to work with OSU.

6. Adjournment

With no other discussion or business, Committee Chair Callahan adjourned the meeting at 4:20 p.m.

Respectfully Submitted,

Stacy Jeffries
Executive Assistant, Office of the Board of Trustees