



Oregon State
University

The Board of Trustees of Oregon State University

Meeting of the Finance and Administration Committee

October 27, 2022
10:40 am – 1:50 pm
Memorial Union, Horizon Room
Corvallis, OR

MINUTES

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

Committee Members Absent: Patty Bedient, Rani Borkar

Other Trustees Present: Maria Chávez-Haroldson, Michele Longo Eder (*via Zoom*), Julie Manning, Jayathi Murthy (*ex officio*), Preston Pulliams, Inara Scott

University Staff Present: Aaron Amoth, Jackie Bangs, Belinda Batten, Sherm Bloomer, Steve Clark, Bruce Daley, Nicci Dolan, Kevin Dougherty, Ed Feser, Susan Freccia, Alix Gitelman, Becca Gose, John Gremmels, Heather Hesano, Jen Humphreys, Stacy Jeffries, Deb Mott, Paul Odenthal, Tuba Ozkan-Haller, Shalece Rains, Libby Ramirez, Melanie Rose, Heidi Sann, Staci Simonich, Patti Snopkowski, Irem Tumer, Scott Vignos

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

Committee Chair Darry Callahan called to the meeting to order. 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 informed the board of a new policy regarding the disposition of equity interest received by OSU as consideration for commercial license or assignment of OSU intellectual property. He cited the specific example of NuScale Power, a company that grew out of OSU research. When the company went public and OSU received stock, a university policy was developed directing university management to liquidate equity interest as soon as reasonably practicable – within 180 days of when such equity becomes freely tradeable. Green said this policy is aligned with a strong majority of R1 universities.

Green provided an update on the South Farm Property, 50+ acres directly south of campus deemed as surplus property by the university. OSU plans to seek offers from qualified developers and explore the possibility of outside partnerships to build workforce housing, noting that the affordable housing crisis impacts OSU's ability to recruit and retain its workforce. Green clarified that this project would serve the entire community – not just OSU – but that OSU would have the right of first refusal.

Green gave an update on treasury management activities, noting that the university is actively working to mitigate risk during significant market volatility. He mentioned that OSU had hired Neuberger

Berman in September 2022 to manage the small cap allocation in the equity portfolios, and he suggested the FAC do a deeper dive into investments at its next meeting.

Green discussed the fourth quarter FY2022 quarterly management report, highlighting the \$8.2M variance in E&G personnel services stemming from \$10M in funds set aside into a PERS side account. Green noted this had to be recorded as an expense, even though the university will make the money back through reduced future pension expenses.

3. Consent Agenda

- a. **Minutes of the May 26, 2022 Finance & Administration Committee Meeting**
- b. **FY2022 Q4 Operating Management Report**
- c. **FY2022 Q4 Investment Reports**

A motion was made and seconded to approve the consent agenda. The motion carried.

4. Discussion Items

a. **Capital Project Status Report**

Present to deliver the report were Paul Odenthal, senior associate vice president for administration, Bruce Daley, associate vice president for university facilities, infrastructure and operations, and John Gremmels, director of capital planning.

Daley gave an overview of completed projects, including Cordley Hall West (open at the start of the term); Milam Hall (new roof substantially complete); the Hatfield Marine Science Center seawater system (one of the largest in the U.S. and currently functioning); the complete remodel of Fairbanks Hall (the 2nd oldest building on campus); Community Hall slope (a fully-accessible outdoor space for students in what used to be a parking lot); and capital updates to Owen Hall, which Daley described as about 99% done, with everyone moved in.

Gremmels gave an update of projects under construction. He noted that work on Reser Stadium and the Patricia Valian Reser Center for the Creative Arts is running on time and on budget; construction on the Gilkey Hall and Withycombe Hall projects is expected to be fully underway in early 2023; Cordley East should be completed by spring or summer 2024; new greenhouses are being built to replace the 1929 east greenhouse; work on the PacWave ground station is about to begin; and construction of the Whyte Track and Field Grandstands is expected to begin in the new year.

Odenthal mentioned upcoming projects, including the Jen-Hsun and Lori Huang Collaborative Innovation Complex and the Student Success Center and Innovation District at OSU-Cascades. He added that Reser Stadium will be ready for graduation and that the Patricia Valian Reser Center for the Creative Arts is expected to be complete in spring 2024.

Odenthal said that the capital projects team is staffed up on project management and working to bring projects home on budget and on time. He also noted that the team has been able to arrest the deferred maintenance backlog, which was growing.

Odenthal emphasized the effects of unprecedented cost escalation, which continues to decrease OSU's buying power with an impact of nearly 40% on project costs. Odenthal reported that projects in the 10-

year forecast are being deferred (instead of cancelled) as necessary. Trustees voiced concern that OSU will end up with unfunded projects as some are deferred, and that costs will increase while the revenue stream won't.

There was extensive conversation regarding the housing project at the Hatfield Marine Science Center, which will support faculty and other partners in Newport (EPA, Fish and Wildlife, NOAA) in addition to students. There was interest in determining the projected occupancy (percentage-wise) throughout the year and the revenue strategy – issues Odenthal said would be addressed with a more detailed proforma when Stage Gate II comes to the board.

Trustees also posed in-depth questions about opportunities for MWESB (minority, women-owned and emerging small business) contractors, including how (and in what categories) their participation is tracked. Odenthal suggested that inviting OSU's chief procurement officer to a future board meeting to discuss related initiatives would be productive, and Committee Chair Callahan agreed with the approach.

5. Action Items

a. **2023 Finance and Administration Committee Work Plan and 2022 Board Assessment Results**

After analyzing the survey results, Committee Chair Callahan said he would like to hear about additional educational opportunities for this committee in the coming year. Trustees commented that materials are dense, and said that receiving them earlier would allow time to thoroughly read and digest the information. Several trustees echoed the chair's request for additional educational opportunities.

Callahan noted that the work plan for 2023 is in line with what the committee has done historically, with the exception of an administrative report placeholder. He solicited feedback from the committee.

There being no further comment, a motion was made and seconded to approve the 2023 Finance and Administration Committee Work Plan. The motion carried.

b. **Capital Project Stage Gate I: Collaborative Innovation Complex**

In attendance to present this item were Paul Odenthal, senior associate vice president for administration; Bruce Daley, associate vice president for university facilities, infrastructure and operations; Libby Ramirez, university architect and interim director of capital delivery; and Belinda Batten, senior advisor for strategic initiatives.

Batten described the Jen-Hsun and Lori Huang Collaborative Innovation Complex (CIC) as a 21st century research and education complex to support team-based interdisciplinary research in climate and marine science, artificial intelligence and computation, and material science. She added that the project would elevate OSU's collaborative research environment with a 150,000-square-foot facility, fit specifically to the purpose of hosting advanced research infrastructure.

Ramirez reported that work is set to begin before the end of 2023, with scheduled completion at the end of 2025 (in time for winter term 2026). She noted that mass timber construction would reduce the facility's carbon footprint. Ramirez added that the RFP (request for proposals) for design and construction teams required bidders to answer questions about their existing work with MWESB

(minority, women-owned and emerging small business) subcontractors and consultants.

Bruce Daley noted a \$37M funding gap in the \$213M budget, which reflects the cost escalation the project has had to weather.

It was noted that the budget includes the demolition of Weniger (which will be delayed until the end of the project, so it can stay occupied) and construction of the North Quad. In addition, there is a separate \$25M donation for the facility's supercomputer.

Chair Callahan sought a motion to approve advancing the CIC to the next phase of design development. A motion was made and seconded, and the motion carried.

c. Capital Project Stage Gate II: OSU-Cascades Innovation District

d. Capital Project Stage Gate II: Withycombe Hall Renovation

In attendance to present this item were Bruce Daley, associate vice president for university facilities, infrastructure and operations; Libby Ramirez, university architect and interim director of capital delivery; and Staci Simonich, dean of the College of Agricultural Sciences.

Dean Simonich reported that the College of Agricultural Sciences is ranked #2 in the U.S., and that the two departments this renovation helps (Animal Rangeland Science and Food Science and Technology) are a big reason for that ranking. She added that the renovation would illustrate the farm-to-fork process (addition of a new creamery, new winery, and storefront for Beaver Classics food products), with students participating at every step. She added that the 1950s building has never been renovated to accommodate modern-day science.

Ramirez reported that design efforts to restore the building's classic 1950s style had just received unanimous approval from the Historic Resources Commission. She said the project will bring transformational change to the lab facilities. She reported that work would start in Feb. 2023 and be complete in time for fall 2024 term.

In response to a question about the role of private industry, Simonich mentioned donations totaling \$3M from the dairy and wine industries, which helped garner a matching \$3M in state paid bond proceeds.

Chair Callahan sought a motion to recommend approval of a capital project budget of \$71M for the Withycombe Hall renovation project and advance the project to construction. A motion was made and seconded. The motion carried.

e. Capital Project Stage Gate II: Ship Operations Dock Renewal

In attendance to present this item were Bruce Daley, associate vice president for university facilities, infrastructure and operations; John Gremmels, director of capital planning; and Tuba Ozkan-Haller, interim dean, College of Earth, Ocean, and Atmospheric Sciences.

Dean Ozkan-Haller reported that OSU's oceanography program is ranked #3 in the world. The university is also a Sea Grant Institution, with multiple colleges (engineering, agricultural sciences and liberal arts) involved in ocean-going work. Ozkan-Haller said that a renovated pier at the Hatfield Marine Science Center will be an asset to the entire university, which received a National Science Foundation award for three regional class research vessels, all of which are currently under

construction.

Gremmels noted the necessity of replacing the old 1960s pier and strengthening the causeway. The dock was extended in the 1990s but not protected. \$13M in construction will help extend its life into the future.

In response to a question from President Murthy, Ozkan-Haller noted that the \$13M project does not include funding to improve the connection between the Marine Science Center and the pier, which will be a major fundraising goal for the college going forward.

Chair Callahan sought a motion to recommend the board approve a capital project budget of \$13M for the ship operations dock renewal and advance the project to the construction phase. A motion was made and seconded, and the motion carried.

f. Capital Project Change to Approved Budget: Washington Way

Bruce Daley, associate vice president for university facilities, infrastructure and operations, and Aaron Amoth, construction project manager presented this item to the board.

Daley noted that the project has already been approved; the current request is for additional funding to cover cost escalation and replace a 70-year-old, 20-inch water main that runs parallel underneath Washington Way for the length of the project. Replacing the water main will cost \$2M, of which the city of Corvallis is covering between \$700,000 to \$1M.

Amoth noted that the project will improve safety and connectivity, make significant lighting upgrades and encourage active modes of transportation with two dedicated six-foot bike lanes each way. The new water line is expected to be completed by the end of the year. Roadway construction will begin after that, with completion expected by April 2024.

Chair Callahan sought a motion to recommend to the board approval of a budget increase for the Washington Way improvement project to bring the total project budget to \$29M (a \$5M increase). A motion was made and seconded, and the motion carried.

6. Discussion Items

a. FY2023 Operating Budget Update

Mike Green, vice president for finance and administration, and Sherm Bloomer, associate vice president for budget and fiscal planning, delivered the budget update.

Bloomer reported that self-support operations ended FY22 in a much better position than anticipated (~\$23M instead of \$4M). Bloomer added that education and general revenues were also better than originally forecasted, with net tuition and fees up about \$15M due to non-resident undergraduate tuition. He added that we've been on a trajectory to more than double institutional financial aid since FY19; we're at about \$82M from \$42M, and expect to be around \$90M next year.

Bloomer noted that Ecampus shows strong consistent growth but stressed that maintaining that growth will require continued investment. He added that total undergraduate enrollment has gone up slightly, reversing a five-year trend of declines.

Bloomer cited challenges including a decline in graduate students (mostly in masters programs) and a steady decline in international students (after a big drop during the pandemic).

There was discussion about maintaining an enrollment mix of two-thirds resident students to one-third non-resident students. Bloomer clarified that the university would admit every qualified Oregonian who applies and won't turn away Oregon residents to maintain that mix. He estimates OSU is currently at about 37% non-resident students. Provost Feser added that additional revenue from out-of-state students allows the university to allot more financial aid to students from lower-income families, many of whom are Oregon residents.

Trustees also engaged Bloomer and Green in discussion on the following topics: the performance of individual programs/colleges (growth in most colleges, with a slow decline in the college of Public Health and Human Sciences); financial modeling for a recession (OSU is modeling what happens to state funding, instead of modeling for changes in enrollment); the need for more grad students if the university is going to grow the research enterprise (something to consider with strategic planning – which programs to incent); the need for more housing if the university grows (housing and dining group working with enrollment management to align goals and objectives); and the likelihood that growing the freshman class would need to come from out-of-state students, due to demographics.

b. DFA Framework for Success

In attendance to present this item were Mike Green, vice president for finance and administration, Javier Calvo-Amodio, associate professor of mechanical, industrial and manufacturing engineering and Heather Riney, executive director of the enterprise project portfolio management office.

Green provided background on the project, which kicked off in late 2017 after a business operations best practices review by Baker Tilly found that people in finance and administration (700 employees) didn't understand how their work connected to the mission of the university. This prompted the division to set aside the plans for a separate strategic plan and build a framework based on a set of guiding principles and designed to help every employee within the division understand why their work is important and how it advances the goals of OSU's strategic plan.

Riney described meeting with the 26 units across the division with Dr. Calvo and his research team – a process that took over two years – and creating unit dashboards with over 60 metrics that tell the full story of what the units do and how their work impacts the university.

Calvo-Amodio spoke to the science behind the framework and how it will inform the project and provide greater understanding of why systems emerged the way they did, and why they work or don't. He stated that the DFA framework has informed teaching, student research and faculty research, with four journal publications and material for another six.

7. Adjournment

With no other discussion or business, Committee Chair Callahan adjourned the meeting.

Respectfully Submitted,



Stacy Jeffries
Executive Assistant, Office of the Board of Trustees