Ten-Year Business Forecast: FY2021 through FY2031

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BACKGROUND

OSU's Ten-Year Business Forecast is intended to identify long-term trends in the university's finances that support or jeopardize achievement of the goals of the university's strategic plan. The forecast provides a look far enough ahead to take corrective action or to plan for additional investments and to carefully consider the long-term impacts of current programmatic and financial decisions. The forecast considers enrollment projections; tuition rates and institutional financial aid; expense projections for inflation, benefits, salaries, and enrollment growth; and new construction, renovation, and repairs with associated operating and debt costs.

The forecast is significantly dependent on Corvallis Education and General (E&G) operations, as these have the largest impact on the university's financial position and can change the most with fluctuations in projections of tuition and enrollment. However, projections for operating and capital impacts on all funds are included in the assessment of the long-term financial metrics. These include OSU-Cascades E&G, self-support operations and restricted funds, OSU-Corvallis self-support operations and restricted funds, and Statewide Public Services.

The following are the principal conclusions from the forecast covering fiscal years (FY) 2021 through 2031:

- The strategies adopted in the January 2020 forecast presented to the Board remain the key strategies to maintain a stable financial outlook. They include managing expenses, increasing non-resident enrollment, increasing transfer student enrollment, increasing non-thesis graduate enrollment, growing professional education, and continuing to grow Ecampus.
- The January 2020 forecast explored the impact of financial stressors. One of those was modeling a sudden reduction in international enrollments (assumed to be related to an international issue of some sort) with a slow recovery over subsequent years. This produced a sudden drop in revenue projections and a four-year path to recovery. The forecast results suggested the best strategy to address that kind of situation was to spend fund balance down below the 10% threshold rather than making additional personnel reductions that would have longer-term impacts on programs and enrollment. The updated forecast shows that the pandemic's impact on E&G projections is similar to the stress scenario for a sudden drop in international enrollments. Revenues decline in FY2021 and then take four to five years to return to a normal growth rate. OSU's strategy for managing this involves use of fund balance—with the balance falling below the 10% threshold for a couple of years—rather than making staff or program reductions additional to those already imposed (including a hiring freeze, salary reductions, and reductions in services and supplies spending).
- The most dramatic financial impact of the pandemic, and one that was not foreseen in the January 2020 version, is the large revenue loss in University Housing and Dining Services (UHDS) and Intercollegiate Athletics. Losses in those units will be on the order of $51M in FY2021. The aggregate impact across all self-support units will be deficits in net working capital reaching a maximum in FY2022 and then slowly growing back to positive ranges as both UHDS and Athletics return to pre-pandemic operating conditions.
- In FY2020, four of the seven key metrics were outside of the Board established range with or without the impacts of Governmental Accounting Standards Board (GASB) statements 68, 71, and 75 fully implemented.

- Over the ten-year forecast, the financial metric ratio projections show that undertaking capital renewal and making good on OSU's current enrollment initiatives—or similar initiatives that generate net revenue at the same rate—can maintain a healthy financial position for the university even with the impacts of the pandemic on revenues.
- The capital forecast is similar to that presented in January 2020 but updated to current recommendations from the Infrastructure Working Group (IWG) and current planning for financing and schedules.

Major changes in the forecast from the January 2020 version include:

- Actual results for FY2020 are incorporated, including the substantial self-support unit losses from spring 2020 and the CARES act funding.
- Current projections for FY2021 for all funds are included.
- Revenue and expense projections for E&G for FY2022 and revenue projections for FY2023 and FY2024 have been adjusted to reflect likely post-pandemic trends and estimates of changes in state funding.
- The FY2021 projection has been adjusted to include the impact of an additional $10M in institutional financial aid awards to help students enroll or stay enrolled.
- Revenue and expense projections for self-support units for FY2022 and FY2023 have been adjusted to reflect conservative scenarios in Athletics (50% fan attendance in fall, about a $19M loss) and in UHDS (average occupancy of about 3,000, about a $10M loss).
- The impacts of the $300M bond sale and updated capital forecast have been incorporated.
- Benefit rates have been updated to reflect revised rates published by the PERS Board and the impact of OSU's side account contribution with the state (including the state match funds).
- A $35M loan from the Pac-12 and subsequent repayment from the Athletics budget to moderate the cash flow impacts in the current year are modeled (there are alternative approaches to this, but this one is included here).

The results of the second federal stimulus are not included because the specific distribution and proportion to be dedicated to financial aid are not yet clear. Those federal funds will be important in managing the current year but will not have a substantial impact on the long-term trends discussed here.

FY2020 FINANCIAL STATEMENT AND FINANCIAL METRICS UPDATE

The previous year's (FY2020) audited financial statements provide the baseline for the FY2021-2031 Ten-Year Business Forecast. The OSU Annual Financial Report, including the audited financial statements and management's discussion and analysis, has been completed and will be presented to the Executive & Audit and Finance & Administration Committees on January 29, 2021. To complement that report, this update provides information on the financial health of the university as of June 30, 2020, including comparison of key financial metrics over time. These metrics are the starting point for the ten-year projections in the forecast.

OVERVIEW

In December 2020, Moody's Investors Service noted that "the outlook for the U.S. higher education sector remains negative as the coronavirus pandemic threatens key revenue streams and uncertainty continues over the pace of economic recovery and the length of the public health crisis."[1] Universities' operating revenue is expected to decline as they face softening enrollment and reductions in auxiliary revenue, such as housing, parking and athletics. Other key revenue streams, such as state funding and philanthropy, are also likely to experience a downward trend as the pandemic persists. In general, high fixed costs and uncertainty about the duration of the pandemic limit the ability to quickly adjust expenses in line with revenue declines, which will in turn put a strain on cash flow margins.

Moody's expects universities to use debt restructuring, taxable borrowing and deferment of capital investments as approaches to mitigate mounting deficits and shore up liquidity. OSU utilized these strategies with a $300M debt issuance in the fall of 2020. A nationally recognized, strong Ecampus program enhanced OSU's ability to pivot to a remote learning environment. Shifts by other universities not previously in the online education market will lead to more competitive pressure as their reactive strategies become embedded in normal operations.

Despite the added financial pressures caused by the pandemic, OSU was able to maintain an Aa3 stable rating in September 2020. Moody's credit opinion states, "The stable outlook reflects our expectation that OSU will manage financial and operational challenges imposed by the coronavirus and the economic fallout." [2] Given OSU's land grant mission, managing the finances of the university will continue to be an exercise in balancing the goals of financial strength and security with those of advancing the land grant mission, including maintaining a focus on innovations that improve access and affordability, the student experience, student outcomes, research impact, and public engagement.

Over the past several years the university has made investments in capital and human resources and in other operations needed to keep pace with enrollment growth and reduce a deferred maintenance backlog. Consequently, pre-pandemic growth in net assets was not keeping pace with the growth in the revenue and expenditure base. The impact of the pandemic will increase these financial pressures.

ANALYSIS OF FINANCIAL METRICS

Table 1 summarizes trends in the seven financial metrics tracking the university's financial health, including the five debt policy ratios used to evaluate debt capacity and affordability. The debt service amounts shown include only university-paid debt, including the net amount of service on State Energy Loan Program (SELP) debt, where the legislature has committed to pay the debt service with a separate General Fund appropriation to OSU.

Effective FY2015, the university implemented GASB 68[3] and 71[4], relating to pension accounting and reporting. In addition, GASB 75, *Accounting and Financial Reporting for Post-employment*

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[1] Moody's Investors Service, December 8, 2020, "Higher education – US: 2021 outlook negative as pandemic weakens key revenue streams."

[2] Moody's Investors Service, September 28, 2020, "Oregon State University – Update to credit analysis"

[3] Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27

[4] Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68

Benefits Other Than Pensions, was implemented effective FY2018. These implementations affect six of the seven financial metrics to varying degrees. The changes in GASB 68 and 71 mainly require that the university show its share of the net pension liability relating to future benefits earned by current and past university employees in the state's retirement system. The recognition of—and annual adjustments to—these assets and liabilities in OSU's statements has a substantial impact on some of the metrics. For comparison, the right-hand column for each year in Table 1 shows the ratios without the cumulative impact of these GASB statements as of that fiscal year.

The specific financial metrics are summarized as follows:

Debt Burden Ratio – The debt burden ratio shows the magnitude of debt service expenditures for university-paid debt relative to total expenses, adjusted to exclude depreciation expense and include debt principal payments. This ratio measures the university's dependence on debt to finance its mission. The university's debt burden is 4.8% for FY2020, which is within the Board's established range of 2.5% to 6.5% and indicates that the university is not highly leveraged. Without the effects of implementation of GASB statements 68, 71, and 75, this ratio is 5.0%, also within the Board's established range.

Debt Service Coverage Ratio – The debt service coverage ratio (or debt affordability ratio) measures the sufficiency of net revenues to cover debt service. This ratio uses a three-year rolling average of net revenues to smooth out revenue volatility. The university's debt service coverage was 0.6 times debt service for FY2020 which is below the Board's established range of 2 to 4.5 times. Without the effects of implementation of GASB statements 68, 71, and 75, this ratio is 1.3 times debt service, which is also below the Board established range.

Income Statement Leverage Ratio – The income statement leverage ratio measures the amount of debt relative to the size of operations as reflected in total revenues. This ratio considers only debt that will be repaid with university revenue. The university's income statement leverage stood at 48.3% for FY2020. This is within the Board's established range of 30.0% to 75.0% and shows that the university is not highly leveraged. This ratio is unaffected by implementation of GASB statements 68, 71, and 75.

The following four ratios are considered industry standard core measures of financial health. They combine amounts from the OSU Foundation's financial statements (where applicable), which is recommended by industry best practice to portray the financial health of the university more comprehensively.

Viability Ratio – The viability ratio compares expendable net assets to total outstanding debt to be repaid with university revenues. This ratio measures the ability to repay debt with financial resources and the ability to use debt to strategically advance the university's mission. The university's viability ratio was 28.0% for FY2020, which is below the Board established range of 75% to 125%. Without the effects of implementation of GASB 68, 71, and 75 this ratio is 70.1%, which is also below the Board established range.

Primary Reserve Ratio – The primary reserve ratio measures the level of available reserves to meet the university's operating expenditures, indicating whether financial resources are sufficient and flexible enough to support the university's mission. The university's primary reserve, inclusive of the related foundations, was 13.5% as of FY2020, which is below the Board established range of 35% to 65%. Without the effects of

implementation of GASB 68, 71, and 75 this ratio is 34.9% and is just below the Board established range.

Return on Net Assets Ratio – The return on net assets ratio measures whether the university is financially better off than in previous years by measuring total economic return. The university's return on net assets, inclusive of the related foundations, was 3.0% for FY2020 and within the Board established range of 0% to 8%. Without the effects of implementation of GASB 68, 71, and 75 this ratio is 5.1%, also within the Board established range.

Net Operating Revenues Ratio – The net operating revenues ratio explains how the results of operations affect the behavior of the other three core ratios: the viability ratio, the primary reserve ratio, and the return on net assets ratio. A large surplus or deficit directly impacts the amount of funds an institution adds to or subtracts from net assets, thereby affecting the other three core ratios. The university's net operating revenues ratio was -3.9% for FY2020, which is below the Board established range of 0% to 6%. Without the effects of implementation of GASB 68, 71, and 75 this ratio is -0.7%, which is also below the Board established range.

CONCLUSION

The trends in six of the financial metrics indicate balance sheet strength. In FY2020, four of the seven key metrics were outside of the Board established range with or without GASB 68, 71, and 75 fully implemented. Over the longer horizon of the last five years the debt service coverage and net operating revenues ratios have primarily been below the lower level of the operating ranges. The debt service coverage ratio has been slightly outside of the established range for four of the five years.

Initiatives driven by Strategic Plan 4.0 (SP4.0) and prioritized by university management along with new challenges on the horizon due to the pandemic, discussed in this ten-year forecast, will continue to put pressure on the income statement as well as the universities' ability to strengthen reserves and protect the university's net asset base. Longer-term projected trends of these ratios will be discussed elsewhere in the forecast.

MAJOR COMPONENTS OF THE BUSINESS FORECAST

PURPOSE

The Ten-Year Business Forecast provides a long-term view of the aggregate impact of near-term operating and capital decisions made in support of the university's strategic plan. The forecast considers the influence of external factors such as enrollment demand, Oregon's economic outlook, and compensation costs, as well as the projected results of strategic actions driven by SP4.0 and taken in response to the impacts of the pandemic on operations in FY2020, FY2021 and FY2022. The forecast helps to identify areas of concern and opportunity associated with the university's decisions and external conditions early enough to take action to maintain and improve the university's financial strength. The principal goal of this update is to consider the impacts of the pandemic on the forecast and to assess actions that may be necessary to address them.

TEN-YEAR FORECAST AND SP4.0

The pandemic has had significant impact on the university's students, faculty, and staff, and on revenues. Since March 2020, the university's response has been based on planning over a 3-4 year time horizon that has included immediate adjustments and mitigation of impacts; investments in new technologies, skills and support services to prepare for a higher education context that is more reliant on online education and remote learning post-pandemic; and a reassessment of long-run strategies in light of likely permanent effects of the pandemic on student demand and working environments. In general, the university has emphasized maintaining programs and employment in those areas expected to recover strongly following the pandemic and continuing actions to advance SP4.0, with some re-prioritization for the changed post-pandemic environment.

The Ten-Year Business Forecast takes an institutional-level view of operating and capital needs and the expected trajectories of revenues and expenses (salary growth, capital costs, staffing growth for enrollment, expected benefit increases, potential new programs, etc.). SP4.0 remains the foundation of the ten-year forecast. The twenty actions in SP4.0 will be advanced by tactics that require specific decisions at the unit level (for example, which interdisciplinary degree programs to add, which faculty to hire, etc.). Those specific actions are not all known now but are represented in the forecast by planning for certain categories of expenditures or revenues and in the assumptions used in the base case and the various initiatives.

The assumptions in the forecast, including the capital forecast, derive from SP4.0 goals and actions. Table 2 summarizes the relationship between the twenty actions to advance the four major goals in SP4.0 and elements of the ten-year forecast.

STRATEGY AND APPROACH

The forecast uses institutional level projections of revenues and expenditures across all funds. There is a particular focus on Corvallis E&G operations since those make up a large share of the university's work and much of the activity in self-support and auxiliary funds depends on the level of activity in E&G operations.

While the pandemic has affected OSU's immediate financial circumstances, it has not changed the fundamental mission of the university or the broad financial strategies for the long-term forecast. The forecast begins from the FY2020 audited financial statement and is built from a baseline scenario that assumes estimated trends in enrollments, revenues and expenses out through FY2030, and the impact of initiatives discussed in the January 2020 forecast including expense management, non-resident enrollment growth, transfer student growth, non-thesis graduate program growth, professional education initiatives, and Ecampus initiatives. This 2021 forecast includes the updated capital forecast presented here as part of the Ten-Year Business Forecast, which has been approved by the president based on recommendations from the Infrastructure Working Group (which is discussed in detail later in this document).

The assumptions in the January 2020 version are detailed in Attachment 1. The six initiatives remain OSU's key financial strategies. Progress has been observed in each key initiative, and it is premature to update the specific assumptions in them until enrollment trends for fall 2021 are known.

Financial information across the three major operating funds and the major elements of the financial statements are integrated, and the January 2020 version of the forecast was updated

to include the FY2020 audited financial results; the changes noted in the next section; and projected outcomes for FY2021, FY2022, and FY2023 for E&G and self-support funds.

Projected results are not normally hard coded into the model but are derived from the historical trends and ratios that the forecast is built on. However, because FY2021 and FY2022 are so anomalous in financial results and trends, the model was set to include expected results in FY2021 and FY2022 and adjustments to revenues in some cases for FY2023. With those changes, the model then projected financial results out to FY2031 including calculation of the principal financial metrics.

CHANGES SINCE JANUARY 2020

The major updates to the January 2020 forecast include the following:

- Actual results for FY2020 are incorporated, including the substantial self-support unit losses from spring 2020 and the CARES act funding.
- Current projections for FY2021 for all funds are included.
- Revenue and expense projections for E&G for FY2022 and revenue projections for FY2023 and FY2024 have been adjusted to reflect likely post-pandemic trends and estimates of changes in state funding.
- The FY2021 projection has been adjusted to include the impact of an additional $10M in institutional financial aid awards to help students enroll or stay enrolled.
- Revenue and expense projections for self-support units for FY2022 and FY2023 have been adjusted to reflect conservative scenarios in Athletics (50% fan attendance in fall, about a $19M loss) and in UHDS (average occupancy of about 3,000, about a $10M loss).
- The impacts of the $300M bond sale and updated capital forecast as detailed later in the docket have been incorporated.
- Benefit rates have updated to reflect revised rates published by the PERS Board and the impact of OSU's side account contribution with the state (including the state match funds). Note that in fiscal year 2021, university management elected to fund a PERS side account as a way to mitigate and manage long-term retirement costs.
- A $35M loan from the Pac-12 and subsequent repayment from the Athletics budget to moderate the cash flow impacts in the current year are modeled (there are alternative approaches to this but this one is included here).

The results of the second federal stimulus are not included here as the specific distribution and proportion to be dedicated to financial aid are not clear yet. Those funds will be important in managing the current year cash flows and operating results but will not have a substantial impact on the long-term trends discussed here.

UPDATED TEN-YEAR CAPITAL FORECAST

Background

The updated Ten-Year Capital Forecast describes how OSU will provide—over the period FY2019 through FY2029—the physical environment necessary to carry out the university's mission. Projects in the forecast are sequenced by legislative biennium. Five biennia are covered in this forecast: 2019-21, 2021-23, 2023-25, 2025-27 and 2027-29.

The capital forecast lays out OSU's plans for capital investments based on current and anticipated conditions, needs, priorities and resources and is guided by SP4.0 and operating assumptions within the business forecast. A broad array of university leaders, staff, committees, programs and consultants assist in developing the plan. The capital forecast captures the university's plans in Corvallis, Bend, Newport, Portland and the rest of the state.

The Infrastructure Working Group (IWG) is charged by the provost and executive vice president and vice president for finance and administration. IWG develops the forecast using SP4.0 as the lens for prioritization. In support of the IWG process, University Facilities and Infrastructure Operations (UFIO) conducts interviews with every dean and major department to understand specific infrastructure needs. The IWG vets, prioritizes and recommends investments based on their effectiveness in advancing the SP4.0 and related university initiatives.[5] A preliminary updated capital forecast is prepared for consideration by the vice president of finance and administration and the provost and executive vice president, who make a recommendation to the president for approval before it is presented to the Board for acceptance either as a stand-alone capital forecast or as part of the business forecast, depending on the year.

Project Criteria

The IWG evaluates projects for inclusion in the capital forecast using the following criteria:

- Advancing OSU's Strategic Plan: The proposed projects' contribution to the advancement of OSU's strategic plan and unit strategic plans is considered, including whether the project will make a contribution to achieving one or more of OSU's goals to achieve preeminence in research, scholarship and innovation; delivery of transformative education that is accessible to all learners; significant and visible impact in Oregon and beyond; and culture of belonging, collaboration and innovation.
- Criticality: The degree to which the project contributes to the life safety (seismic, fire, other potential hazards) of inhabitants/users and contribution to the sustainability of OSU's environmental, economic and human resources.
- Physical Quality: Building condition and life span considerations related to renewal or replacement (demolition). The proposed project is evaluated for its ability to meet university program needs through reuse of existing building space and infrastructure without the need for net new space, or to meet a need for the proposing unit or function that cannot be met through use of currently assigned space. Projects are also evaluated for whether they will remove barriers to accessibility.

[5] Further details on the process and priorities of OSU's capital forecast can be found at: https://ufio.oregonstate.edu/sites/ufio.oregonstate.edu/files/cap_planning/capital_forecast_dec018.pdf

- Impact: The proposed project's financial viability, including whether it will preserve, protect and extend the useful life of capital assets, considering long-term operation and maintenance costs. The impact of a project considers whether it will enhance student and employee success, reputation, and ability to perform scholarship and outreach.
- Leverage: The proposed project's capacity to attract private gifts, grants and state bond funding.

Changes Since January 2020

Specific Emphasis

Starting this year, a preliminary step was added to identify areas of emphasis based on the priorities and concerns of university leadership. UFIO staff discussed capital needs and aspirations with OSU's deans, major department leaders, and the IWG. The following are areas of direction recommended by OSU's leaders:

- Proposals should consider how facilities and infrastructure and the living, learning, teaching, research and other uses they would support will affect equitable outcomes for students of color, students with disabilities, students who are first generation, and students with high financial need.
- Proposals should consider the short-term and long-term health and safety effects of operating a university during the COVID-19 pandemic. Resilient, adaptable facilities allow the university to adjust to new circumstances, such as planning for the possibility of more classes being held remotely and more employees working from home.
- Proposals should be evaluated for their impact on the cost of operating the university. Cost reductions are achievable primarily with the reduction of overall building space. With less overall building space, OSU will use less energy, expend fewer custodial resources, and require less maintenance and renewal in the future. Proposed projects should adhere to OSU Space Standards. Renovations should help consolidate space, relocating programs from depreciated and unneeded buildings that will be removed from OSU's inventory. New buildings should only be considered if they allow OSU to remove depreciated buildings that cannot be economically renovated.
- Proposals should emphasize sustainable energy use and carbon reduction. Renovations and capital renewal projects that reduce energy use, such as building controls, HVAC replacements, roof replacements with increased insulation, solar power, consolidation of chilled water systems and retro-commissioning, should be emphasized. New buildings will consider lifetime energy cost.
- Proposals should consider alignment of research facilities and infrastructure with future research needs and the creation and alignment with research clusters. Flexibility, scalability and adaptability should be prioritized.

Effects of COVID-19 Pandemic

The primary effect of the COVID-19 pandemic on the capital forecast is the restriction of growth in OSU's self-funded Capital Improvements and Renewal (CIR) program. The OSU CIR program was intended to start at $5M in FY2018 and increase by $5M per year until the annual funds available reach $45M in FY2026. Full allocations were made in FY2018, FY2019 and FY2020, building to an initial $15M. For FY2021, the funding was reduced to $13M (using an

Internal Bank loan to preserve liquidity), rather than the originally intended increase to $20M. Further, the updated ten-year forecast anticipates holding CIR funding in FY2022 and FY2023 to $13M and then restarting the $5M per year incremental allocation in FY2024. This has the effect of delaying $92M in OSU funded improvements from the ten-year forecast and delaying until FY2030 the achievement of the full $45M in annual E&G expenditures for capital renewal.

The revenue bond issuance in October 2020 would make up for a large portion of the $92M. However, to stay within funding parameters, the pace of renovations—particularly in the latter half of the forecast—have been slowed, with renovations of two buildings—Langton Hall and a Research Building TBD—being pushed beyond the ten-year horizon. The plan retains the pre-COVID pace of minor (<$5M deferred maintenance) projects to advance in areas such as carbon reduction, solar power projects, roof replacements, safety systems upgrades, accessibility improvements, street and pedestrian safety, and infrastructure renewal.

Sustainability

The capital forecast drives OSU's carbon reduction plans and commitment to sustainability. Since 2009, OSU has reduced total emissions by 12%. When normalized for enrollment and building growth, emissions have been reduced by 41% per student and per square foot of building space. The capital forecast advances sustainability goals in several ways:

- Major Capital Projects – The selection of buildings for renovation or replacement is factored heavily on energy performance. Sustainability is a major component of building renovations and energy use can be reduced significantly using modern highly efficient HVAC, control, and insulation systems. Replacing less efficient buildings with new buildings designed and constructed to the highest sustainability standards is part of the plan.
- Capital Improvements and Renewal (CIR) – CIR projects—minor capital projects (<$5M)—focus on energy efficiency, safety, building preservation and accessibility. This program supports a host of HVAC system replacements, building control system replacements and other building improvements that increase energy efficiency (such as roof replacement projects, which significantly increase insulation). Most of the CIR energy projects will include or allow retro-commissioning of buildings as part of OSU's Deep Energy Efficiency program that reduces energy use in our existing buildings.
- Specific Carbon Neutrality Projects – These projects are also found in the Minor Capital section of the forecast. A robust program is planned for placing solar power arrays on multiple roofs on the Corvallis Campus, where capacity and structure allow. Opportunities are being explored to leverage OSU funds using financing partners through the Oregon Clean Power Cooperative, allowing the university to take advantage of federal tax incentives.

Capital Forecast Details for Corvallis and HMSC

New Buildings

- Arts and Education Complex ($70.0M) – The Arts and Education Complex (AEC) project will construct a new academic facility that will serve primarily as educational space for performing arts classes, programs and performances. Construction is expected to begin in the spring of 2021 with completion in spring of 2023. The state capital funding request for $35M was approved. Stage Gate II for the project will be reviewed by the Board at its January 2021 meeting.

- Campus Operations Center ($26.5M) – The Campus Operations Center replaces the deteriorating complex at the south entry to campus, freeing the space for more strategic use (e.g., AEC, circulation and parking). This project creates an efficient complex at the edge of campus for staff who plan, build, repair, and maintain campus buildings; plan and provide parking and transportation; and provide other support services. Approved in 2020 by the Board, construction is underway and will be complete in the summer of 2021.
- Collaborative Innovation Complex (CIC) Phases I and II ($200.0M) - The CIC, along with the renewal of Cordley Hall, will catalyze the renewal of OSU's aged research infrastructure. A synergistic and state-of-the-art CIC would enable the demolition of Weniger Hall and the repurposing of Gilbert Hall as well as the renovation of nearly every aged research building on campus including Burt Hall (I), Gilmore Hall, Gleeson Hall, Kidder Hall, Milam Hall, the Pharmacy Building, Wilkinson Hall and Weigand Hall over the following decade. The CIC would not only propel the renewal of OSU's research enterprise but would allow for its physical re-organization as program and priority. The renovations of the older science buildings will respond in complement to the core research capabilities realized with the CIC. The CIC was submitted to the Higher Education Coordinating Commission FY2021-23 Capital request but was not highly prioritized and was not included in the Governor's budget request. The university plans to resubmit the project for State Capital Funding for the FY2023–25 Biennium.

Renovations

- Cordley Hall ($158.8M) – This project modernizes OSU's largest research facility and spans three biennia. The project will also create a district chilled water plant hub to provide efficient and reliable cooling to research buildings in the north campus area. The west half and the district hub started construction this fall and are expected to be completed in the summer of 2022. The east half will be under renovation from summer of 2022 to the summer of 2024.
- Burt Hall II Reconstruction ($10.45M) - The Burt Hall II Reconstruction project restored this valuable research facility after it was damaged by a fire in late 2018. The reconstruction included necessary and required code and programmatic improvements. Construction has been completed on this project.
- Cascade Hall Renovation ($6.5M) – The west half of Cascade Hall has been renovated to accommodate the Navy ROTC program. Its prior home, the old Quonset building, has been removed to make room for the relocation and widening of Washington Way. The Department of Public Safety has an expanded facility on the second floor to relieve a severely overcrowded facility in the much smaller east portion of the second floor. Construction of this project has been completed.
- Graf Hall Interior Renovation ($6.0M) – This project combines CIR funds that will significantly increase the building's accessibility, safety and energy efficiency with College of Engineering gifts that will enhance robotics education and research programs in the building. A request for Stage Gate II approval will be presented at the January 2021 Board meeting.
- McAlexander Field House North Building and Shell ($16.0M) – This project renews the exterior, roof and windows of the entire field house, addressing water infiltration and aged surfaces. The project will also provide an interior renovation and seismic safety upgrade to the north section of the building that houses the Army and Air Force ROTC programs.

- Withycombe Hall East and Withycombe Hall West Renovations ($26.0M and $25.0M) - Withycombe Hall will be renovated in two phases. The east side will focus on accommodating the Dairy Products Research Center (the remaining component of the former Oregon Quality Foods project concept that included improvements for both Dairy and Beer and Wine programming but did not receive anticipated gifts for the Beer and Wine components). The project will also create additional research and education space for further consolidation of programs. OSU's theater programs, currently in substandard and inaccessible facilities in Withycombe, will be relocated to the AEC. The projects will address seismic, safety, code, accessibility, ventilation, and energy use deficiencies, as well as renew aged interiors.
- Gladys Valley Building Renovation ($20.0M) – This project renews and repurposes one of OSU's oldest buildings in the heart of Corvallis campus as the Gymnastic program relocates to its new facility.
- Plant Science Innovation Center ($30.0M) –This center project replaces (either on site or at a different location) the aged 1928 East Greenhouse complex with a modern versatile greenhouse facility to meet the changing needs of current and future research and teaching programs.
- Research Building Renovation I ($35.0M) – This renovation will focus on seismic safety, accessibility and energy efficiency as well as accommodate education and research programs in synergy with the CIC. The research building to be renovated will be selected when the program of the CIC is more precisely known.
- Kerr Administration Seismic Upgrade ($11.0M) – This seismic upgrade project strengthens the building seismically without disassembling and rebuilding the interior (similar to the 2009 Nash Hall renovation).
- Community Hall Renovation ($24.0M) – This project renews and repurposes OSU's oldest building on the Corvallis campus.
- Gilbert Hall Repurpose ($52.0M) – OSU's 90-year-old chemistry building cannot be economically renovated as a modern chemistry research building. It will be repurposed to accommodate much needed academic programs, as well as research programs that do not require extensive and sophisticated laboratory exhaust systems.
- Dairy Center Modernization ($18.0M) – This project will include renewal of the 1969 dairy, located west of the main campus, to become a next-generation dairy farm, featuring a robotic dairy barn that incorporates multiple data-sensing and automated systems.
- Research Building Renovation II ($42.0M) – This renovation will focus on seismic safety, accessibility and energy efficiency as well as accommodate education and research programs in synergy with the CIC. The research building to be renovated will be selected when the program of the CIC is more precisely known.

Infrastructure

- Washington Way Rebuild/Improvement ($24.0M) – Completion of this project would fulfill a requirement from the City of Corvallis for an upgraded street with bike lanes and offset sidewalks. The project also addresses OSU's interface with the railroad running through the south end of the Corvallis campus and provides better-defined crossings, corridor fencing and lighting to improve pedestrian and bicycle safety. Stage Gate II approval was obtained in 2020. Minor construction elements have begun. Completion expected in summer 2023.

- PacWave ($82.5M) – The PacWave project is a Department of Energy (DOE) grant funded at-sea testing facility to evaluate utility scale ocean wave energy converters with a connection to the local utility grid. Stage Gate II approval was obtained in 2020. Estimated project completion is summer 2023.
- Ship Operations Dock Replacement ($7.0M) – The aged dock facility at the Newport HMSC complex will be replaced to accommodate the new research vessel and serve for the next 50 years.
- HMSC Seawater Infrastructure Renewal ($5.0M) – The infrastructure renewal project would replace the aged research seawater supply system providing access to high quality seawater needed for a variety of experiments, research, outreach and education.
- Research Computing Data Center ($30M) - The project will provide a modern, reliable, energy-efficient data center to consolidate and replace aging IT infrastructure, efficiently manage power consumption and meet the growing needs of the OSU community. A specialized research computing need was identified in the IT strategic plan as a critical need to support the research mission of OSU. OSU is considering interest from other Oregon universities to partner in this OSU-led endeavor.

University Housing & Dining Services

- Upper Division and Graduate Student Housing ($50.0M) – This project would provide on-campus studio living opportunities vital to attracting and retaining the fastest-growing student demographics in Corvallis (transfers, graduate and upper division students). The project was approved by the Board in October 2018. The construction schedule is pending.
- Newport Housing ($27.18M) – The project provides housing opportunities in Newport as the Marine Studies Initiative increases education, research and engagement activities at the Hatfield Marine Science Center. Stage Gate I approval was obtained in April 2020. Construction is pending.
- GEM Housing Buyout and Renovation ($20.0M) – UHDS continues to explore the buy-back and subsequent renovation of the GEM Apartments and the corresponding exit from the GEM public-private partnership.
- Azalea Child Care Center Completion ($5.0M) – The project completes and doubles the capacity of the childcare center in Azalea House to provide highly needed childcare slots for OSU students and staff.
- Residence Hall Replacement ($106.6M) – The residence hall replacement project is the first of a series of new eastside residence hall construction, potentially followed by the demolition of old housing assets. Public-private partnership opportunities are being considered.
- Residence Hall / Dining Center Complex ($151.1M) – The project continues the replacement and renewal of aged UHDS assets. Public-private partnership opportunities are being considered.

Athletics

- Gymnastics Practice Facility – Building Purchase and Renovation ($10.65M) – OSU purchased a building at 4100 SW Research Way. Approximately half of the space is leased to two other tenants who will remain and pay rent to OSU. The remaining area is currently under renovation to serve as a new Gymnastics Practice Facility with completion anticipated for the spring of 2021. Stage Gate II approval was obtained in May 2020.

- Reser Stadium West Grandstands ($153.0M) – The project replaces the aged west grandstands of Reser Stadium. The project focuses on accessibility, seismic enhancements and fan experience, but will also host several year-round programs such as the OSU Visitor and Experience Center, student health services and space for health-care partners, and increased conference and meeting spaces. Stage Gate I will be presented to the Board at the January 2021 meeting.
- Field Sports building ($14.5M) – The project creates much needed logistical support for field sport events and operations and provides critically needed locker/shower rooms and other amenities for student athletes.
- Leadership Center ($20.4M) – The leadership center project relocates coaches and administration from Gill Coliseum and provides amenities, services and support to retain and attract student athletes.
- Gill Coliseum Basement and Concourse ($22.9M) – The project makes improvements to the venerable and historic coliseum, including fan amenities on the concourse and event levels, and redesigns the basement footprint to improve significantly outdated locker room facilities.
- Softball Buildout ($8.0M) –The project improves the softball field and expands and improves the stands and amenities.
- Goss Stadium Addition ($14.0M) – The project expands and improves the baseball field stands and amenities.

Capital Forecast Details for OSU-Cascades

To meet the State of Oregon's goals for higher education in central Oregon, OSU will expand the Bend campus through land improvements, infrastructure, and buildings over the next decade to meet student growth projections of 2,000 to 2,400 students by 2027.

Land development

- Land Development Area 2 ($17.0M) – This second phase of land development continues preparing reclaimed land for further development including the Health Sciences and Recreation Center.
- Land Development – Innovation 2025 ($26.0M) – To advance the physical development of the OSU-Cascades Innovation District, Innovation 2025 will include landfill remediation of approximately one third of Area 1 of the former Deschutes County demolition landfill, filling and grading and the construction of utilities and on- and off-site infrastructure. The site will support the development of future innovation partner buildings and middle-market housing.

E&G buildings

- Student Success Center Phase 1 ($18.8M) – The project provides space vital for academic success and student retention. State funding for this project is included in the Governor's Recommended Budget for 2021-2023.
- Academic Buildings 3&4 ($55.0M and $37.0M) – The project provides academic and research space to meet student and staff growth.

Other Buildings

- Health Sciences and Recreation Center ($44.0M) – This project would be an E&G and student fees supported health sciences and recreation center vital to delivering health sciences programming and attracting and retaining students.
- Early Learning Center + K-5 School ($37.0M cost to School District) – OSU-Cascades would master-lease the land for the co-location and development of an early learning center and K-5 school, operated in partnership with OSU-Cascades' undergraduate elementary education and MAT education programs.
- Innovation District – Partner Buildings and Row Housing ($125.9M) – The Innovation District integrates academic programs with industry, facilitates research and student internship partnerships with the private sector, leverages the campus as a natural laboratory, and creates a physical environment for private sector industry activity and housing.

PRINCIPAL CONCLUSIONS AND AREAS OF CONCERN

SUMMARY

Figure 1 shows selected results from the January 2020 business forecast for reference. The projections showed relatively constant results in E&G and restricted funds and growth in net working capital in self-support operations (Figure 1, top). The 2020 forecast reflected the results of the Athletics financial sustainability plan and the expectation that Athletics would reach positive operating margins which, with results from UHDS and other self-supports, would generate positive cash flow to help fund facilities renewals and program improvements.

The January 2020 forecast also explored the impact of financial stressors on the financial trends. One of those was modeling a sudden reduction in international enrollments (assumed to be related to an international issue of some sort) with a slow recovery over subsequent years. That scenario produced a sudden drop in revenue projections with a four-year path to recovery (Figure 1, middle). The January 2020 forecast results suggested the best strategy to address that kind of situation was to spend some fund balance down below the 10% threshold rather than making additional personnel reductions that would have longer-term impacts on programs and enrollment (Figure 1, bottom).

Figures 2 and 3 summarize key results of the updated forecast. The pandemic impact on E&G projections is like the stress scenario for a sudden drop in international enrollments (Figure 2). Revenues decline in FY2021 and then take four to five years to return to a normal growth rate (Figure 2, middle). Management's strategy has indeed included use of fund balance (as suggested in the January 2020 analysis) and a plan to have fund balance fall below the 10% threshold for a couple of years, rather than making additional staff or program reductions (Figure 2, bottom).

The most dramatic financial impact of the pandemic, and one that was not foreseen in the January 2020 version, is the large revenue losses in UHDS and Athletics (Figure 3, top). Losses in those units will be on the order of $51M total in FY2021. The aggregate impact across all self-support units will be deficits in net working capital reaching a maximum in FY2022 and then slowly growing back to positive ranges as both UHDS and Athletics return to pre-pandemic operating conditions.

More discussion on each of the three major funds is included below.

EDUCATION AND GENERAL FUNDS - OPERATING AND CAPITAL

The Education and General forecast is impacted most significantly by revenue reductions in FY2021 from enrollment declines and in FY2022 from continued lagging enrollment and reduced state funding which particularly impacts the Statewide Public Services (SWPS). Enrollment growth begins to return to pre-pandemic levels for some student groups in FY2022 but international enrollments are projected to lag pre-pandemic levels for some time. The forecast does assume continued growth at OSU-Cascades and in Ecampus and a return to enrollment patterns prior to the pandemic.

One major assumption in the forecast is that, while the rates of enrollment growth return to pre-pandemic levels, the absolute enrollments do not (this is shown in the parallel slope of the historical and modeled revenue trends in Figure 2, middle). This is a conservative but reasonable assumption given the demographic projections for high-school graduates and the increasingly competitive landscape for recruiting university students.

Maintaining balanced budgets will require continued expense management and some use of fund balance (Figure 2, bottom) to avoid making reductions in programs or personnel that are extreme and undercut recruitment of new students and the success of the university's tripartite mission. Fund balances are projected to dip below 10% for FY2023 and FY2024 before returning above 10% in FY2025. Fund balance use is projected to continue into FY2024 because of the lag in the recovery of enrollment, declines in state funding, and the absence of one-time funding like the FY2020 and FY2021 federal stimulus packages. Fund balance use will be principally in Corvallis and SWPS operations. Growth at OSU-Cascades is expected to be sufficient to allow some growth in fund balances there.

The E&G forecast is leveraged most heavily on changes in expense and revenue trends for Corvallis operations. Under reasonable assumptions, the forecast projects acceptable fund balances and financial metrics. This does not mean that managing budgets for the next couple of years will be easy. The fiscal restraint, particularly in expenditures, that has been part of FY2021 management will have to continue in FY2022 and FY2023.

The Ten-Year Business Forecast includes the capital forecast. The IWG recommendations approved by the president, yield a set of projects (Tables 3 through 8) that address significant issues for the university:

- Reduction of the accumulated deferred maintenance through a combination of state funding, OSU revenue bonds, gifts, E&G allocations of capital renewal and repair funds, and demolition of facilities beyond their useful life. This investment is an essential part of OSU being able to continue to recruit and retain faculty, staff and students; successfully compete for sponsored research and conduct unsponsored research; and meet environmental sustainability and carbon reduction goals.
- Improvement of core infrastructure supporting academic and support buildings. Projects include improvements to Washington Way, land development at OSU-Cascades, and a new center for Corvallis facilities operations.
- A focus on renovation and renewal of facilities including Cordley Hall, Gilbert Hall, Community Hall, Withycombe Hall, Kerr Administration Building, Kidder Hall, Langton Hall, and at least three other research buildings. These plans, which place special emphasis on improving the university's research infrastructure, include providing

research surge space to allow laboratory groups to be moved while facilities are renovated.

- New construction for facilities that provide state-of-the art research and education spaces that cannot be created through renovation of existing spaces. These include the Arts and Education Complex, the proposed Collaborative Innovation Complex, and Academic Building 3 at OSU-Cascades.
- Improved student services with the construction of a Student Success center and phase 1 of a Health and Recreation Center at OSU-Cascades.
- Demolition of Snell Hall and the Facilities shops.

The debt service, construction, and operating costs of the projects in Tables 3 through 8 are included in the financial metric analysis discussed below.

SELF-SUPPORT FUNDS - OPERATING AND CAPITAL

The most significant change in the updated forecast from that in January 2020 are the dramatic declines in revenue in FY2020 and FY2021 driven principally by the pandemic-related losses in Athletics and UHDS (Figure 4, top, Figure 5). Conservative projections for both units estimate less than normal revenues in FY2022, revenues closer to normal in FY2023, and a multiyear path to full recovery of revenues. This is uncertain but is modeled this way on the assumption that there may be some permanent changes in the behavior of students choosing residential life and fans participating in athletic events.

These revenue losses combine with the need to maintain significant levels of staffing in UHDS and Athletics (as well as other self-support units) and yield large negative fund balances in FY2022 and FY2023 (Figure 3, bottom). Losses in UHDS and Athletics peak in FY2021 but are offset to some extent by fund balances in other self-support units and by one-time funds. Fund balances begin to grow back in FY2023 but take some years to become positive again.

Despite these losses in self-support units, the university's financial position remains solid through this period, though requiring careful expense management and continued success in meeting enrollment targets. As the specifics of the next few years unfold, the university may choose to manage cash balances across the E&G and self-support funds differently than is shown here, but the aggregate result is expected to be materially consistent with what is reflected in the financial metrics (Figure 6).

The forecast assumes that the Athletics Financial Sustainability Plan will resume successfully by FY2023 and that UHDS projects generate sufficient revenues to cover the costs of operating and maintaining the facilities. Projects include new upper-division and graduate student housing, housing in Newport to support Marine Science Initiative programs, renewal of the GEM housing, and renewal and replacement of older housing facilities. There are significant capital renewal projects planned in UHDS that consume funds that have been set aside for that work. This moves net working capital down in the 5% range in FY2023 and FY2024 after which it grows back as funds are set aside for capital renewal projects after FY2030.

Capital projects for Athletics are assumed to be funded largely by gifts or other revenues (including some state-issued XI-F debt) associated with operations of those facilities. Major projects in the forecast include the Reser Stadium West Grandstands, the gymnastics building

renovation, a field sports building, the build-out of softball facilities, and renovations in Gill Coliseum.

Athletics Projection Details – Figure 4 shows selected key details for Intercollegiate Athletics. This is a conservative projection assuming that only 50% fan capacity is possible in fall 2021 and revenues only return to a proportional level. Ticket sales and donations remain at less than normal revenues. Normal operations resume in FY2023. This version of the projection assumes that Athletics repays a $35M loan backed by the Pac-12 taken in FY2021. The projection includes a significant increase in broadcast revenues in FY2024, the establishment of an annual $1M contingency fund by FY2024, and the incremental revenues and debt service and operating costs associated with the completion of Reser Stadium.

The losses in FY2021 and FY2022 will require cash management strategies in the short-term but the longer-term trajectory has Athletics back on track to meet the expectations of the financial sustainability plan. The completion of Reser Stadium is a key component to stabilizing the athletics financial forecasts. The project is projected to net some $5+M in net incremental revenues once it is complete, which will contribute funding to amortize the significant pandemic-related losses.

University Housing and Dining Projection Details – Figure 5 shows some detail for UHDS. The current year is projecting $26M in revenue and about a $12M net cash loss (after Board-approved shifting of a building renovation from cash to long-term debt).

The FY2022 projection is a conservative estimate assuming that fall 2021 is only at occupancy of about 3,000 beds compared to normal total occupancy of about 4,300. This would generate about $46M in revenue with resulting losses on the order of $10M. The losses in FY2021 will be addressed by restructuring of existing debt and additional internal bank loans, possibly with some use of federal stimulus funding. The losses in FY2022 will be addressed as their magnitude is clearer, likely with expense reductions and some long-term debt. Additional federal funds are not assumed for FY2022.

The projections assume a return to normal operation in FY2023, with breakeven performance, all cash surpluses saved or reinvested into buildings, and increased debt service covered through operations. The average full year weighted average occupancy would be 4,350 students. Corresponding FY2021 revenue would be $65M, with 4% to 5% growth per year based on pricing increases.

As modeled, the forecast will require significant annual increases in housing and dining rates for several years to provide sufficient net revenue to manage debt service, if losses in FY2021 and FY2022 use debt as part of the solution. As with E&G, continued expense management will be a part of operations for several years. The expectation is, however, that UHDS will return to largely normal operations by FY2023 with revenues near historical levels.

RESTRICTED FUNDS - OPERATING AND CAPITAL

There are no major areas of concern in the forecast for restricted funds (Figure 2, top). The original FY2021 projections had anticipated declines in gift revenues but those have not materialized. Both gift revenues and grant and contract revenues have remained strong and the projections now are much like those forecast in January 2020.

FINANCIAL STATEMENT METRIC PROJECTIONS

The final component of the Ten-Year Business Forecast is a review of long-term trends in OSU's financial metrics. Figure 6 shows the principal financial metrics from the financial statements from FY2014 through FY2020 (actuals) and then projected in the *Synario* financial modeling software through FY2031. *Synario* uses institution-wide averages and trends based on completed audited financial statements (beginning in 2013 for OSU). It brings together the assumptions in the operating and capital forecasts with other components of the institution's financial statements, including non-cash components, and accounts for revenues and expenses consistent with the GASB accounting requirements that OSU follows. The ratios in Figure 6 are calculated both with and without the impacts of GASB Statements 68, 71, and 75 as the latter most clearly show the operational impacts of revenue and expense decisions that the university can control.

The ratios without the GASB statement implementation impacts are shown in blue; and the ratios with the GASB impacts included are shown in gray. The ratios fall within or near most of the preferred ranges, with some exceptions. Figure 6 shows the debt burden ratio remains low. The debt service coverage ratio increases outside the range then declines to within established ranges. The return on net assets ratio increases and then declines as major capital projects in the forecast are completed. The viability and primary reserve ratios improve with time as the major self-support units return to generating positive operating margins and building some fund balance. The net operating revenues ratio and return on net assets ratio improve as enrollment and revenue growth resume in FY2022.

The difference in the ratios with GASB and without GASB are most prominent for the viability, primary reserve, and net operating revenues. For the first two, this reflects the recognition of incurred pension liabilities. For net operating revenues, the large swings in historical years are from the adjustments of pension liabilities and assets made from the state to OSU in those years that impact operating expenses.

Overall, the ratio projections show that a commitment to funding capital renewal and pursuing the current enrollment initiatives, or similar initiatives that generate net revenue at the same rate, can maintain a healthy financial position for the university even with the impacts of the pandemic on revenues. This depends, of course, on the other major assumptions in the forecast remaining reasonable and appropriate.

RECOMMENDATION

The revised forecast reinforces the value of a ten-year view of the university's financial position, the implications of potential scenarios and responses on that position. The discussions in January 2020 about what downside scenarios might look like helped inform the management of the financial consequences of the pandemic.

Near-term decisions include how to manage the current year deficit in Athletics (whether to use Pac-12 financing or internal resources) and how to apply the federal stimulus funds most effectively. As enrollment trends for fall 2021 become clearer, the enrollment assumptions in the forecast will be updated in January 2022.

Staff recommend that the Finance & Administration Committee recommend the FY2021-2031 Ten-Year Business Forecast to the Board for acceptance.

Table 1: Key financial metrics based on the university's audited financial statements. For FY2016 and FY2017, the right-hand column shows the ratios without the cumulative impact of GASB 68 and 71 for comparison purposes. For FY2018, FY2019, and FY2020 the right-hand column shows the ratios without the cumulative impact of GASB 68, 71, and 75. Shading indicates metrics outside of the Board's tolerances without GASB.

Oregon State University - Key Financial Metrics

(Dollar amounts in thousands)

	2016		2016 w/o GASB impacts		2017		2017 w/o GASB impacts		2018		2018 w/o GASB impacts		2019		2019 w/o GASB impacts		2020		2020 w/o GASB impacts	
Debt Burden:																				
Debt Service (1)	33,053		33,053		34,260		34,260		40,610		40,610		62,583		62,583		61,006		61,006	
Total Adjusted Expenses (2)	1,075,715	3.1%	982,474	3.4%	1,079,182	3.2%	1,039,061	3.3%	1,154,256	3.5%	1,118,919	3.6%	1,216,711	5.1%	1,189,905	5.3%	1,263,500	4.8%	1,220,445	5.0%
	Tolerance Range: 2.5 - 6.5%				*Tolerance Range: 2.5 - 6.5%*				*Tolerance Range: 2.5 - 6.5%*				*Tolerance Range: 2.5 - 6.5%*				*Tolerance Range: 2.5 - 6.5%*			
Debt Service Coverage:																				
3 yr. avg. Net Revenue available for Debt Service	36,580		49,926		39,966		66,682		17,379		80,976		44,439		85,907		39,089		81,535	
Debt Service (1)	33,053	1.1	33,053	1.5	34,260	1.2	34,260	1.9	40,610	0.4	40,610	2.0	62,583	0.7	62,583	1.4	61,006	0.6	61,006	1.3
	Tolerance Range: 2 - 4.5 times				*Tolerance Range: 2 - 4.5 times*				*Tolerance Range: 2 - 4.5 times*				*Tolerance Range: 2 - 4.5 times*				*Tolerance Range: 2 - 4.5 times*			
Income Statement Leverage:																				
Debt (1)	406,392		406,392		437,560		437,560		540,214		540,214		638,675		638,675		642,662		642,662	
Revenues	1,125,370	36.1%	1,125,370	36.1%	1,163,889	37.6%	1,163,889	37.6%	1,277,302	42.3%	1,277,302	42.3%	1,288,449	49.6%	1,288,449	49.6%	1,330,534	48.3%	1,330,534	48.3%
	Tolerance Range: 30 - 75%				*Tolerance Range: 30 - 75%*				*Tolerance Range: 30 - 75%*				*Tolerance Range: 30 - 75%*				*Tolerance Range: 30 - 75%*			
Viability:																				
Expendable Net Assets (3)	309,478		423,960		324,676		479,279		328,109		520,506		252,698		480,024		179,869		450,250	
Debt (1)	406,392	76.2%	406,392	104.3%	437,560	74.2%	437,560	109.5%	540,214	60.7%	540,214	96.4%	638,675	39.6%	638,675	75.2%	642,662	28.0%	642,662	70.1%
	Tolerance Range: 75 - 125%				*Tolerance Range: 75 - 125%*				*Tolerance Range: 75 - 125%*				*Tolerance Range: 75 - 125%*				*Tolerance Range: 75 - 125%*			
Primary Reserve:																				
Expendable Net Assets (3)	309,478		423,960		324,676		479,279		328,109		520,506		252,698		480,024		179,869		450,250	
Total Adjusted Expenses (4)	1,154,282	26.8%	1,061,082	40.0%	1,166,407	27.8%	1,126,285	42.6%	1,250,850	26.2%	1,215,513	42.8%	1,278,189	19.8%	1,251,383	38.4%	1,333,660	13.5%	1,290,605	34.9%
	Tolerance Range: 35 - 65%				*Tolerance Range: 35 - 65%*				*Tolerance Range: 35 - 65%*				*Tolerance Range: 35 - 65%*				*Tolerance Range: 35 - 65%*			
Return on Net Assets:																				
Change in Net Assets (5)	(13,480)		79,720		58,610		98,731		49,745		85,082		59,560		86,366		46,814		89,869	
Total Net Assets	1,381,161	-1.0%	1,402,444	5.7%	1,389,112	4.2%	1,503,595	6.6%	1,437,143	3.5%	1,602,325	5.3%	1,484,158	4.0%	1,684,678	5.1%	1,544,939	3.0%	1,772,265	5.1%
	Tolerance Range: 0 - 8%				*Tolerance Range: 0 - 8%*				*Tolerance Range: 0 - 8%*				*Tolerance Range: 0 - 8%*				*Tolerance Range: 0 - 8%*			
Net Operating Revenues:																				
Inc./(Loss) before Capital & Other	(101,233)		(8,033)		(21,657)		18,463		(31,516)		3,821		(34,351)		(7,545)		(53,313)		(10,258)	
Operating plus Nonoperating Revenues	1,117,523	-9.1%	1,117,523	-0.7%	1,214,223	-1.8%	1,214,223	1.5%	1,288,416	-2.4%	1,288,416	0.3%	1,323,143	-2.6%	1,323,143	-0.6%	1,368,325	-3.9%	1,368,325	-0.7%
	Tolerance Range: 0 - 6%				*Tolerance Range: 0 - 6%*				*Tolerance Range: 0 - 6%*				*Tolerance Range: 0 - 6%*				*Tolerance Range: 0 - 6%*			

(1) Debt service and debt excludes State paid debt

(2) Total Expenses: Operating Expenses and Principal and Interest Paid less Depreciation Expense

(3) Expendable Net Assets: Unrestricted Net Assets and Expendable Restricted Net Assets, excluding Capital Projects

(4) Total Adjusted Expenses: Operating Expenses and Interest Expense

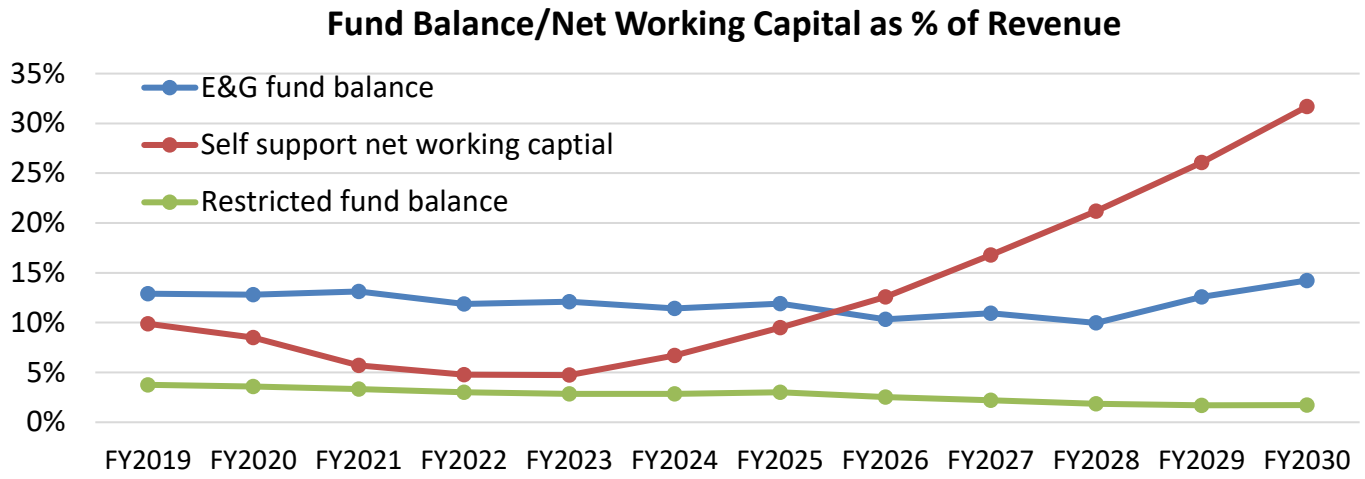
(5) Change in Net Assets: Adjusted for Special Item - Change in Entity and Change in Accounting Principle

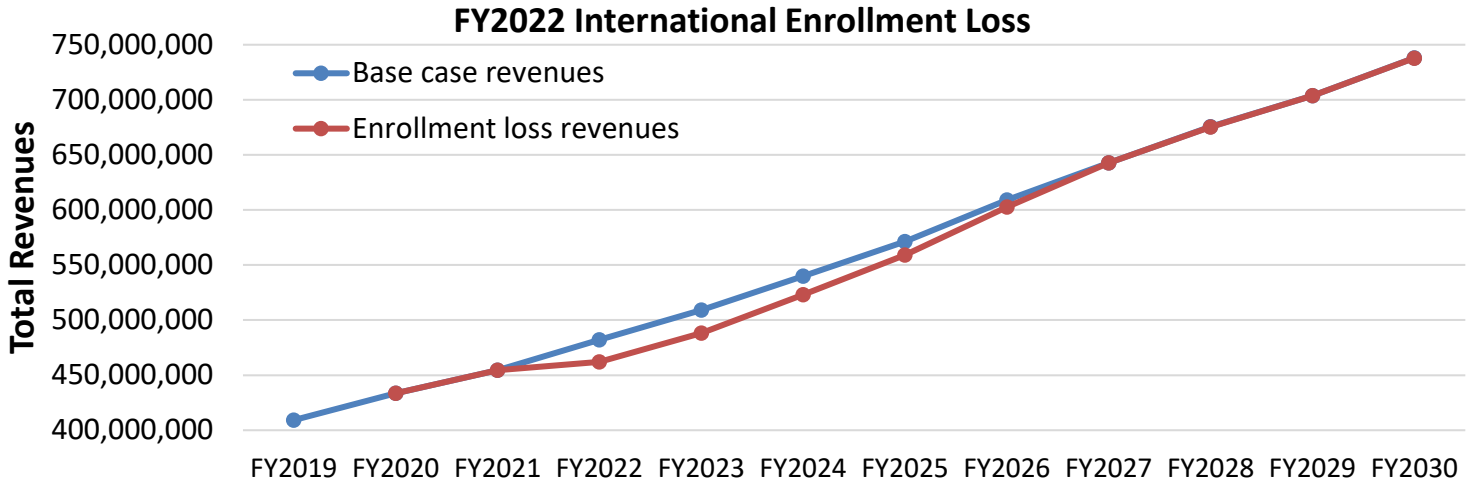
Table 2. SP4.0 and the FY2021-2031 Ten-Year Business Forecast. The business forecast takes an institutional-level view of operating and capital needs and the expected trajectories of revenues and expenses. Many of the twenty actions in the strategic plan will be advanced by tactics that require specific decisions at the unit level.

ACTION		TEN-YEAR BUSINESS FORECAST LINKS
1	Continue building and supporting a diverse, world class faculty	Planning for salary and benefit cost increases to retain faculty and for faculty growth with enrollment which will support hiring in key areas; capital forecast strategy to improve, renovate, and expand research spaces.
2	Provide distinctive curricula and support innovative pedagogy suited to the university mission and vision	Restoring OSU's share of resident Oregon undergraduate enrollment, enrollment initiatives for non-residents, transfer students, professional education and Ecampus.
3	Diversify our research portfolio and strategically build our graduate programs	Slow growth in graduate enrollment in base case, enrollment initiative for graduate professional degrees, continued modest growth in research portfolio.
4	Retool the OSU experience for the 21st century learner	Represented in assumptions about additional costs for support staffing in academic units and administrative units as enrollment increases and types of students diversify. Retention improvements from this action contribute to enrollment assumptions in the base case and enrollment initiatives.
5	Implement an integrated approach to recruiting and enrolling learners at all levels	Core to all the enrollment assumptions in the base case and various enrollment initiatives for Corvallis, OSU-Cascades, Ecampus, and professional education. Enrollment assumptions include more diversity of programs (professional education, certificates, etc.).
6	Substantially improve our physical and administrative research infrastructure	Core part of the Ten-Year Capital Forecast is an emphasis on renewal and improvement of research facilities. Cost models assume growth in overhead costs to support services for students and for faculty.
7	Increase experiential learning opportunities and ensure access	Contributes to reaching the enrollment assumptions in the base case and the enrollment initiatives. Budget model provides a strong incentive to get students to a degree and experiential learning contributes to that.
8	Expand pathways to an OSU credential	The assumptions in the base case for Ecampus include a variety of new programs. Enrollment initiatives (Ecampus, professional education) assume some part of that growth is from new credentials with a focus on new audiences like adult learners and working professionals.
9	Make strategic investments in interdisciplinary and	These kinds of programs are one of the vehicles to support actions 1, 2 and 3 (among others), realizing modest growth in the research enterprise and effecting the various enrollment initiatives.

	transdisciplinary scholarship, teaching and engagement	
10	Integrate inclusive excellence principles and practices into all aspects of the university	Underpins how the university approaches all of the actions and realization of the assumptions in the Ten-Year Forecast.
11	Increase our retention and graduation of students	This action is a necessary part of reaching the assumptions for enrollment in both the base case and enrollment initiatives.
12	Further internationalize OSU	Enrollment initiative for non-resident students, including international students (graduate and undergraduate) as well as recruiting faculty from around the world. A tactical example is work considering a segmented international pricing initiative.
13	Support interdisciplinary education, research and engagement on healthy ocean and coasts through the Marine Studies Initiative	Enrollment in the base case includes growth in MSI programs at Newport. Operating costs for the new building at HMSC are included in the forecast.
14	Reduce our carbon footprint	A part of many (if not all) of the projects in the Ten-Year Forecast which provides a significant part of the strategy for reaching our long-term carbon goals.
15	Strengthen our support system for innovation and entrepreneurship	Related to actions 3, 6, and 16. Innovation and commercialization, while not explicitly modeled in the Ten-Year Forecast, are part of maintaining and realizing modest growth in the research portfolio and supports action 16.
16	Retool our approach to university-industry and alumni, parent and friend engagement	This relates both to realizing growth in the research portfolio, but also initiatives in professional education growth, and student recruitment and retention
17	Clarify vision, communications and governance guiding our physical and digital footprint	Important support action to realize the capital forecast goals and enrollment goals (recruiting, retention, reputation, etc.).
18	Strengthen alignment within the university among our branding, marketing, communications and public affairs efforts	Assumptions include growth in support expenses but that growth is modest. It is also assumed that expense containment is an ongoing part of management. The work with ABC Insights benchmarking consortium is helping shape those opportunities.
19	Implement a comprehensive talent management system	This contributes to the expense containment work as well as goals to recruit and retain faculty and staff.
20	Integrate & simplify technology systems, data practices and policies to increase our organizational agility	Part of keeping support growth modest and improving efficiency of operations. Key to success of some of the other actions (research support for faculty for example).

Figure 1. Summary of relevant results from the January 2020 forecast. First: Fund balance results for three major operating funds as a percent of revenue. Second: Revenue trends for the stress test case of a sudden drop in international enrollments with a multi-year recovery. Third: Impact of that scenario on E&G fund balance in dollars and percent of revenue.





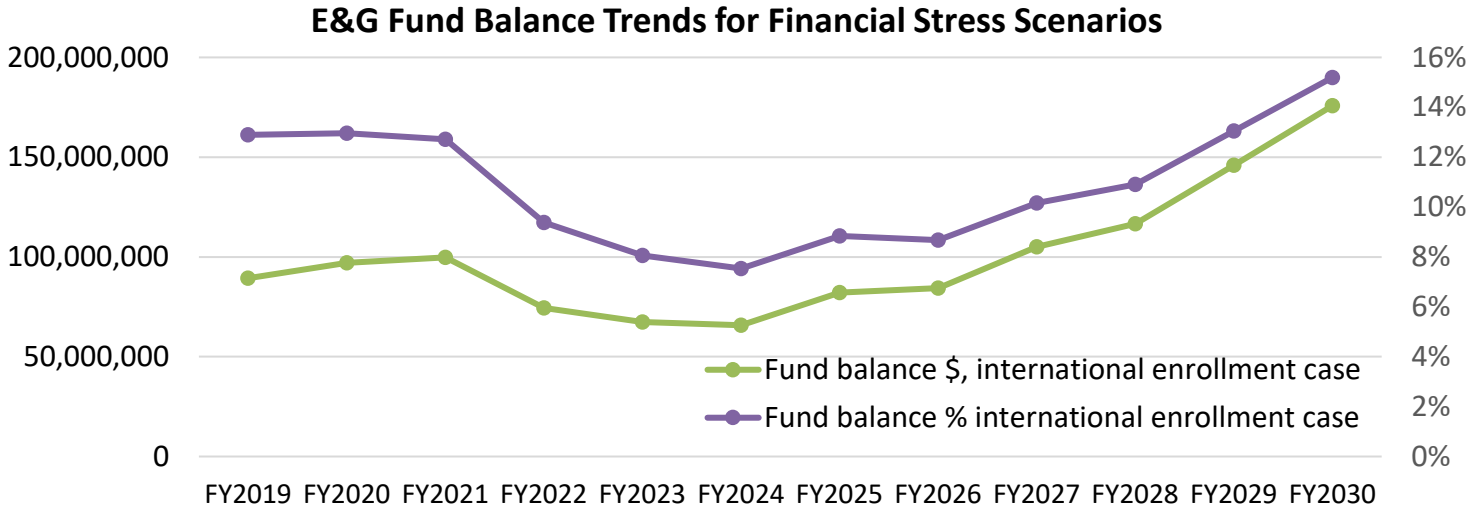
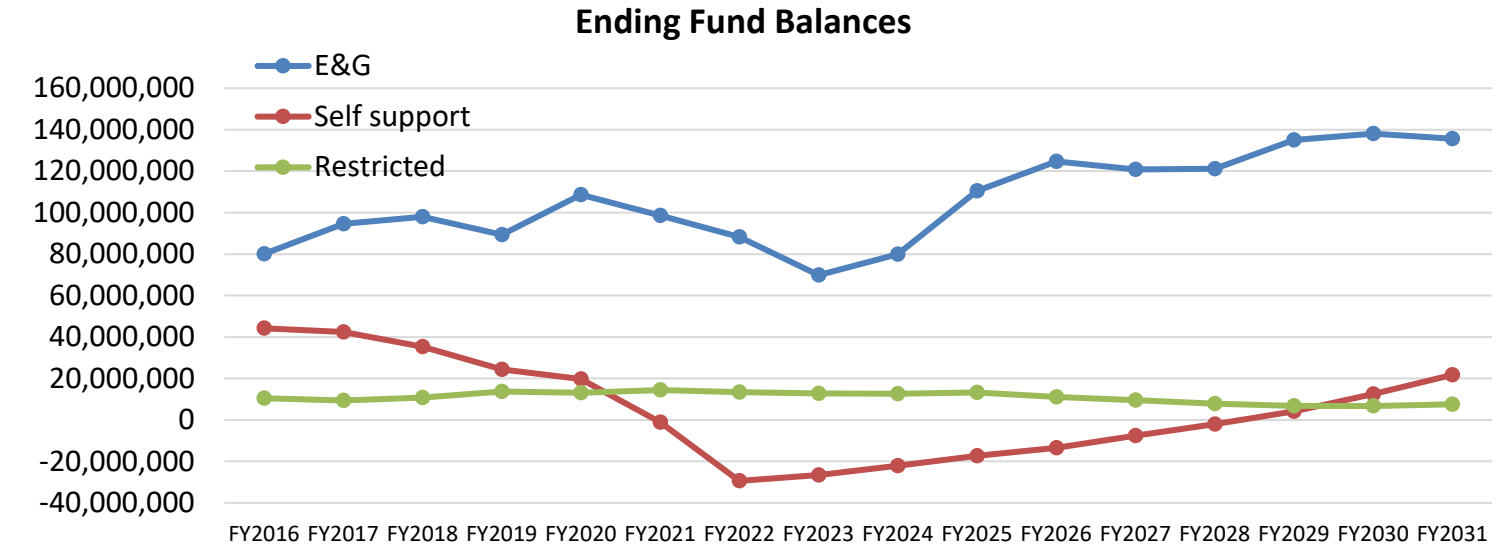
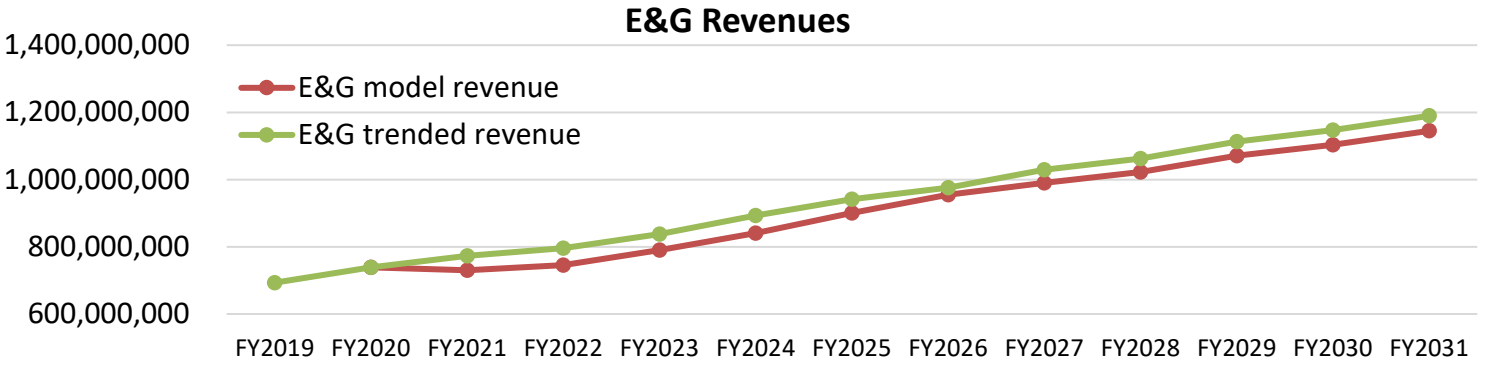


Figure 2. Summary of key results in the updated ten-year forecast. First: Fund balance or net working capital estimates for the three major operating funds. Second: Projected E&G revenues compared to what historical, pre-pandemic revenue trends are estimated to be. Third: Projected E&G fund balances as total dollars and as percent of total revenue.





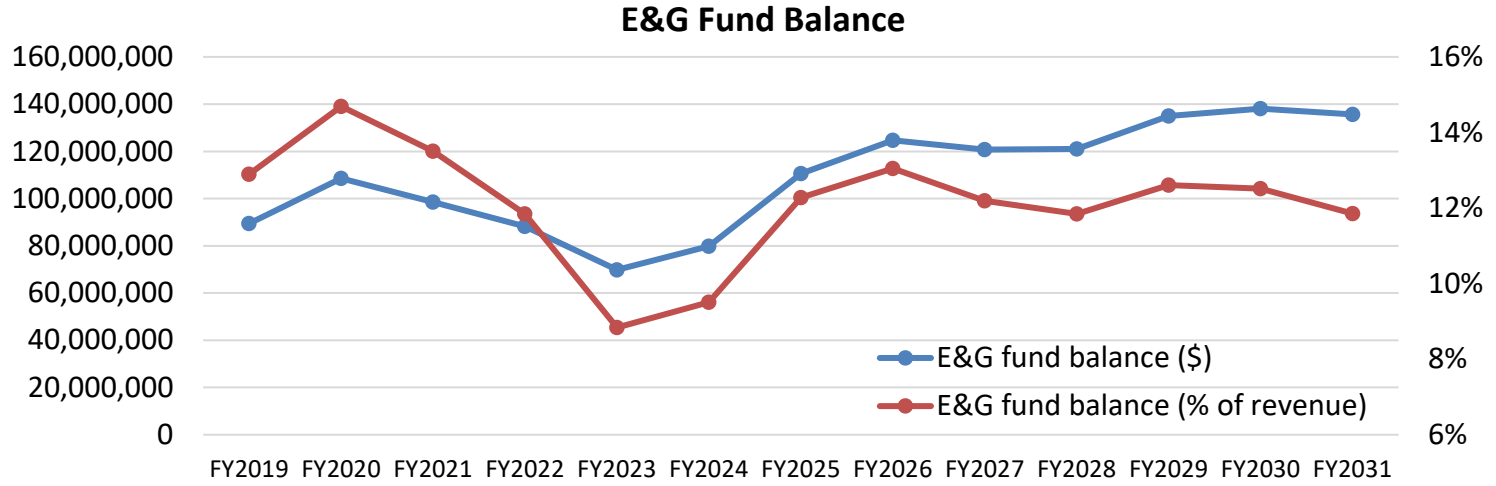
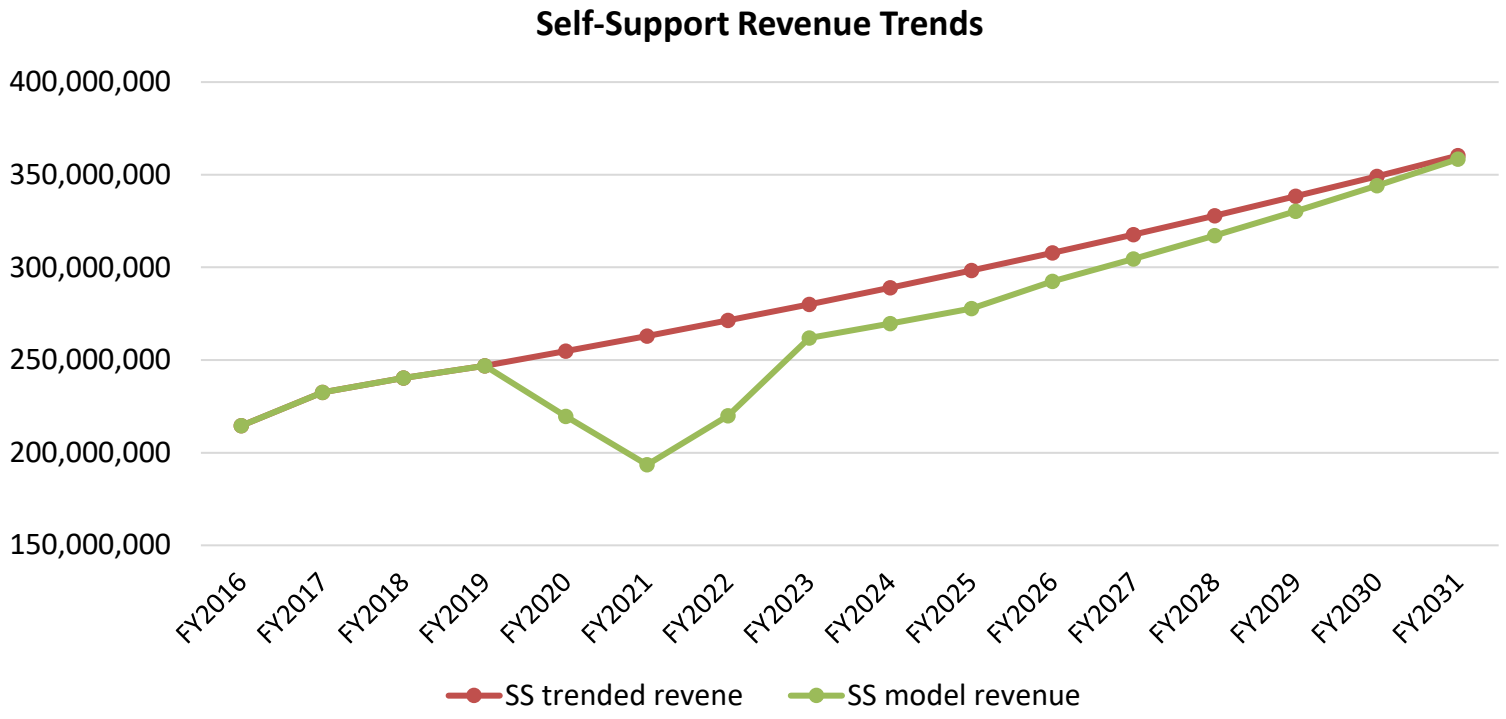


Figure 3. Key results for self-support operations including Athletics, University Housing and Dining Services, as well as smaller auxiliary, service center, and designated operations units. Top: Projected self-support revenues compared to what historical, pre-pandemic revenue trends are estimated to be. Bottom: Projected self-support net working capital as total dollars and as a percent of total revenue.



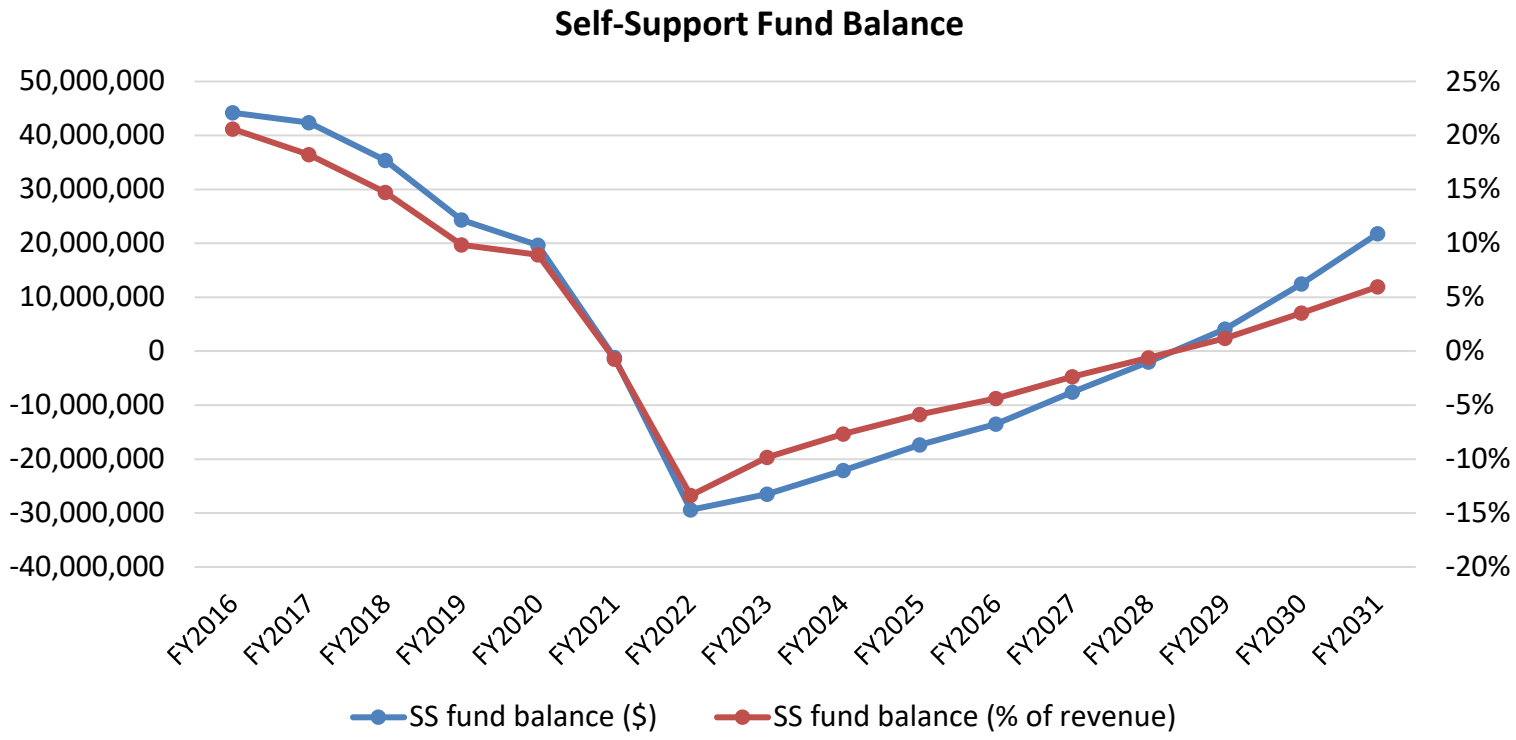
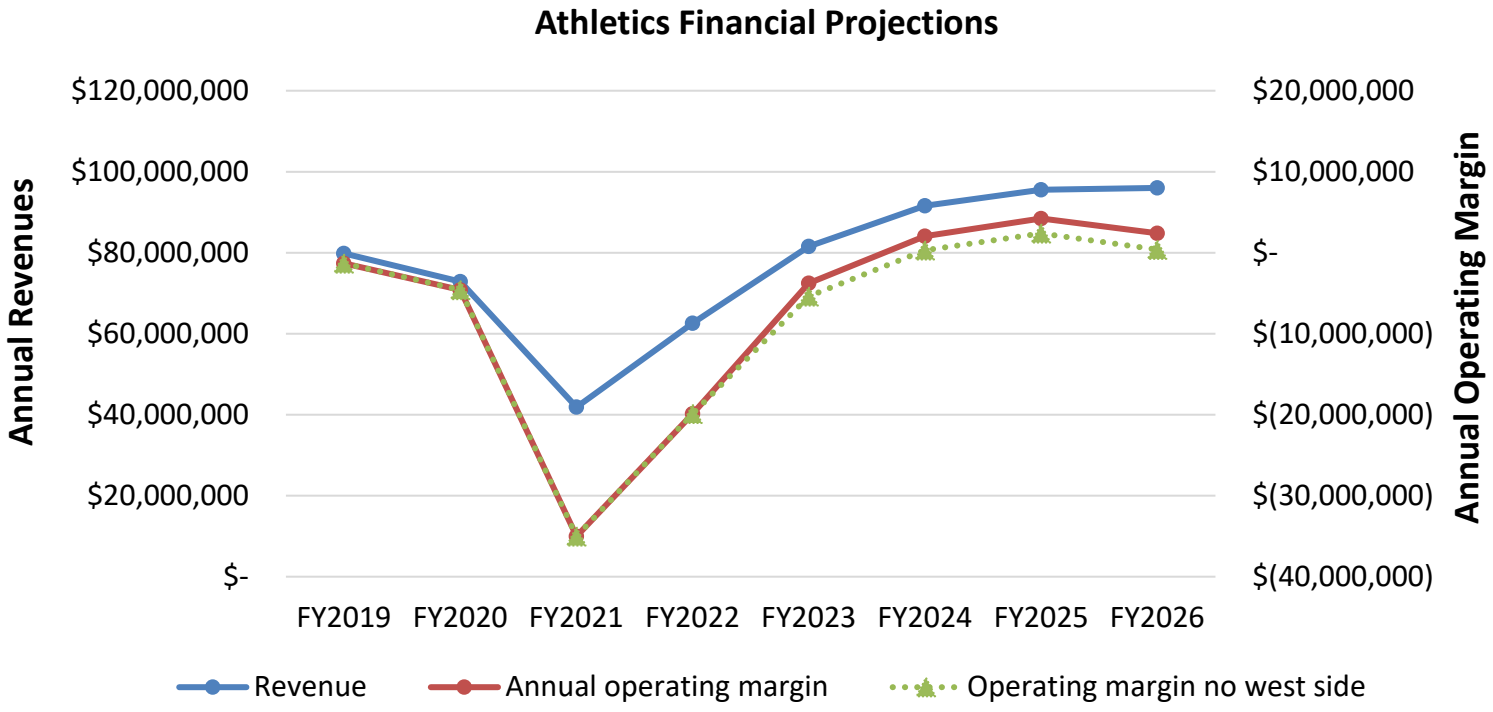


Figure 4. Detail for financial projections. Top: Athletics projected total revenues and annual operating margins (total revenues less expenses excluding depreciation). Bottom: Detail on major revenues (left bar in each year) and expenses (right bar in each year, "other" includes supplies, equipment, medical services, etc.).



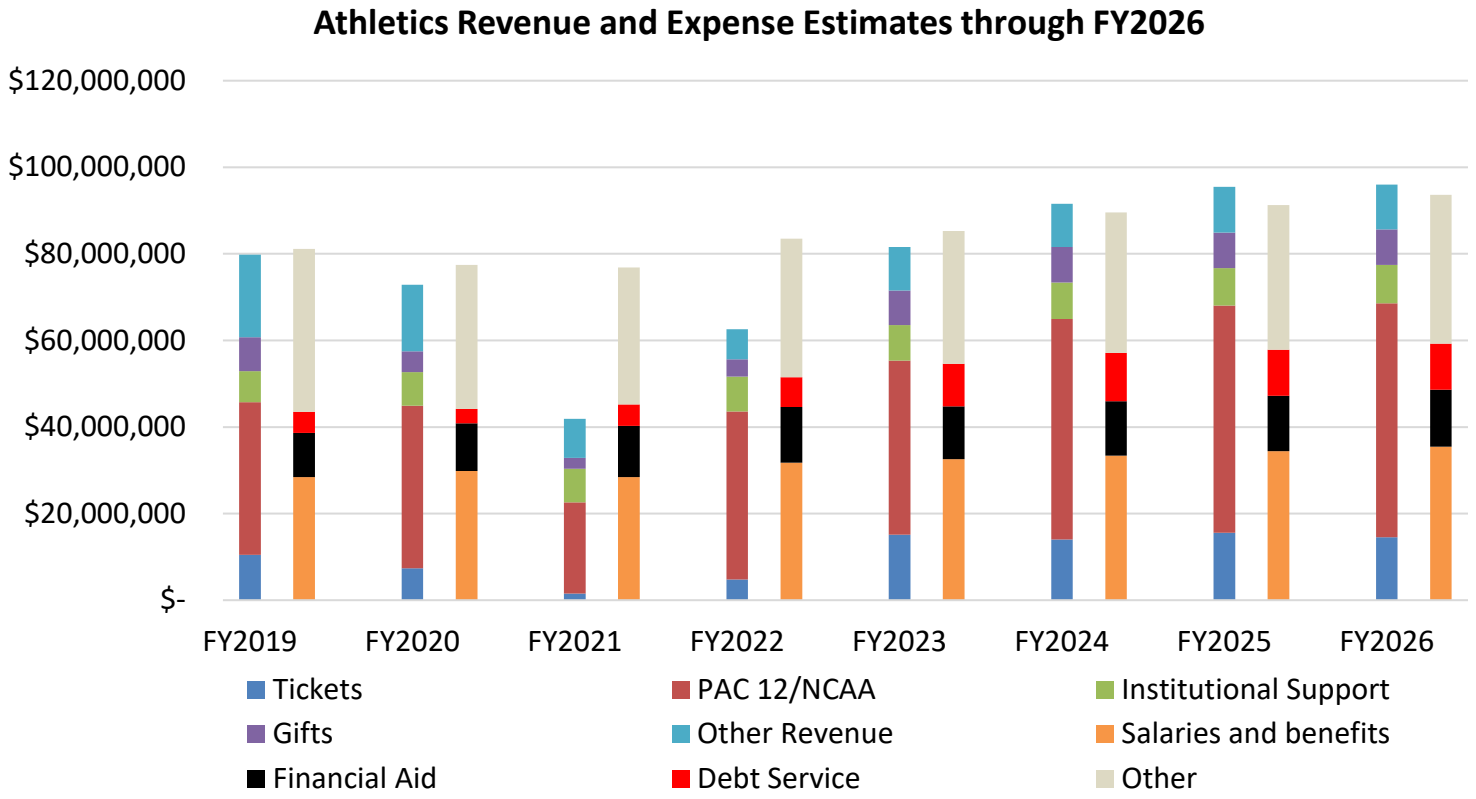


Figure 5. Detail for UHDS financial projections. UHDS projected total revenues and annual operating margins (total revenues less expenses).

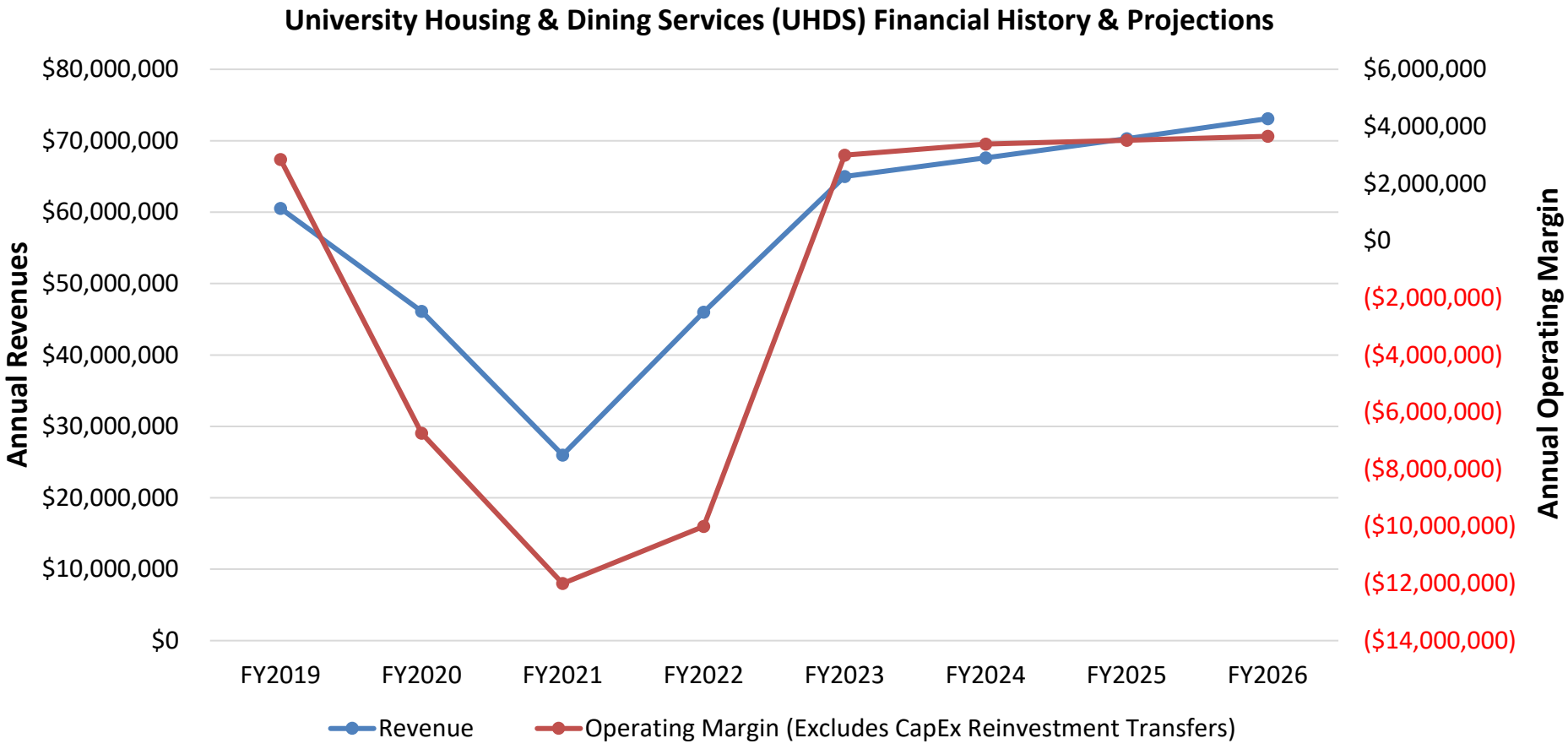
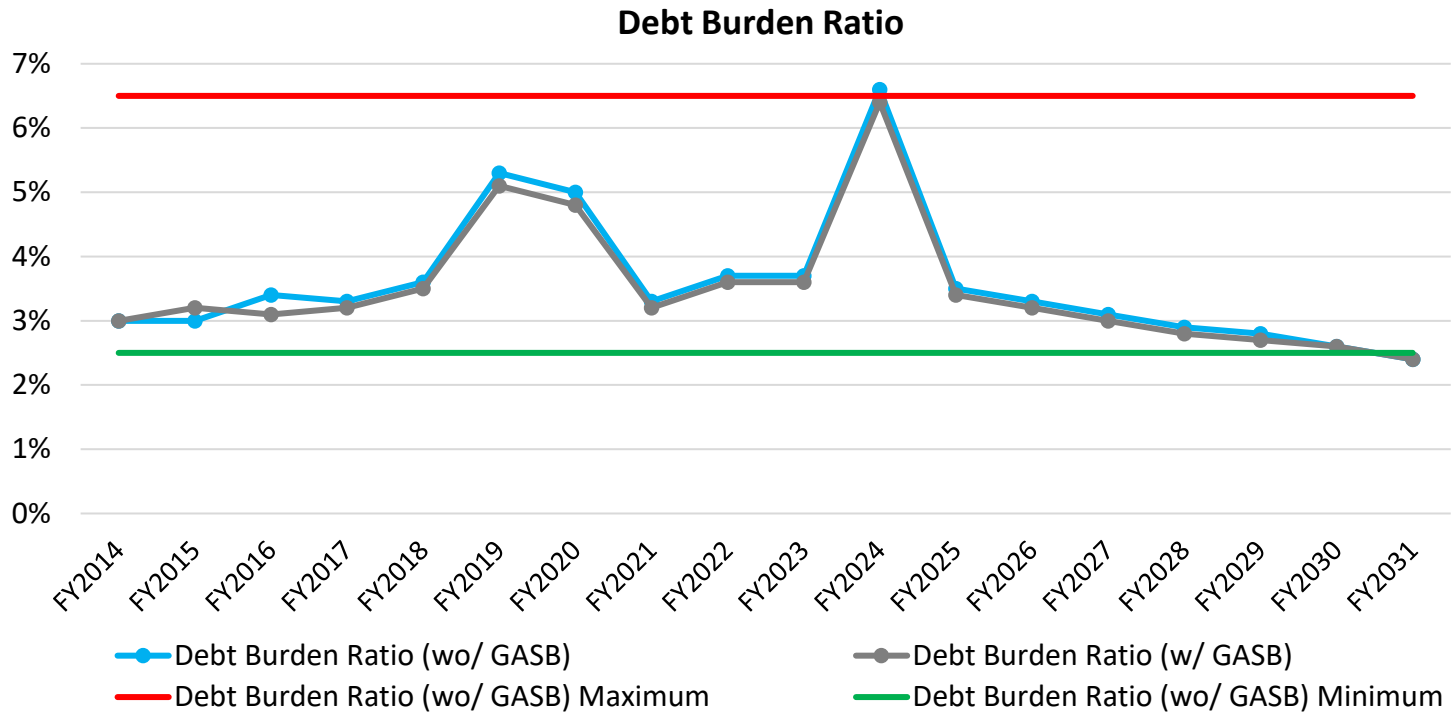


Figure 6 – 1 of 3. Principal financial metrics from FY2014 projected through FY2031 from PFM's *Synario* software. These are based on the ten-year forecast structure from January 2020 updated to actual results for FY2020, known changes, and projected trends for FY2021 and FY2022. The ratios noted as "without GASB" exclude cumulative impacts of GASB 68, 71, and 75. Horizontal lines show Board approved preferred limits (green the better result, red the worse result).



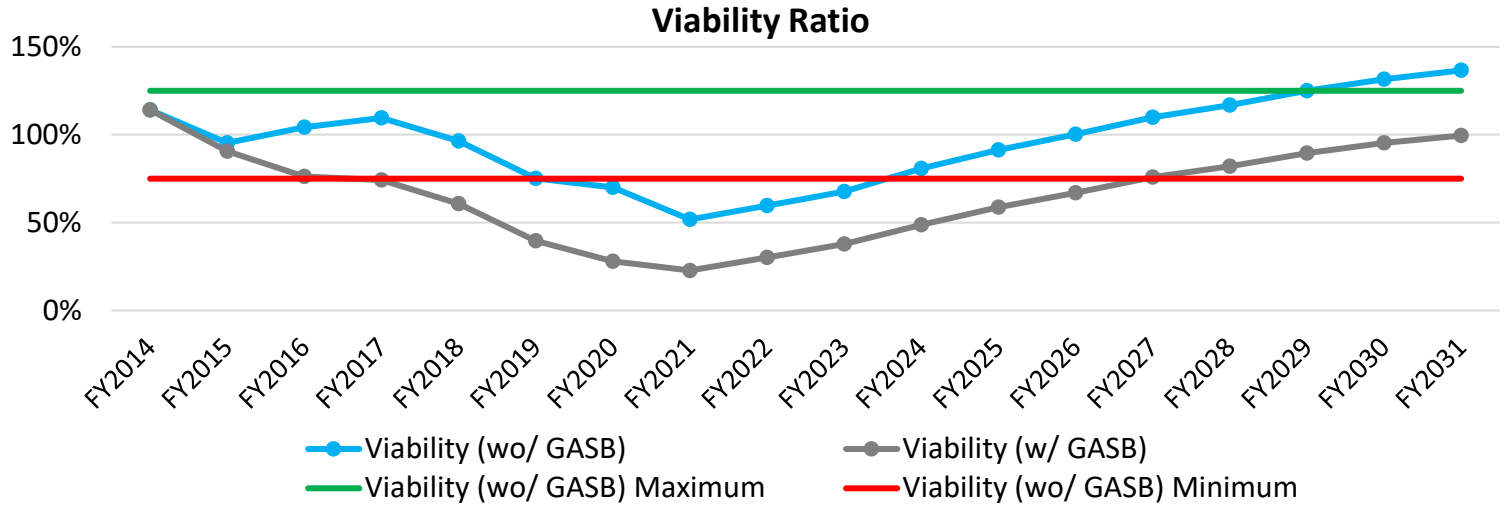
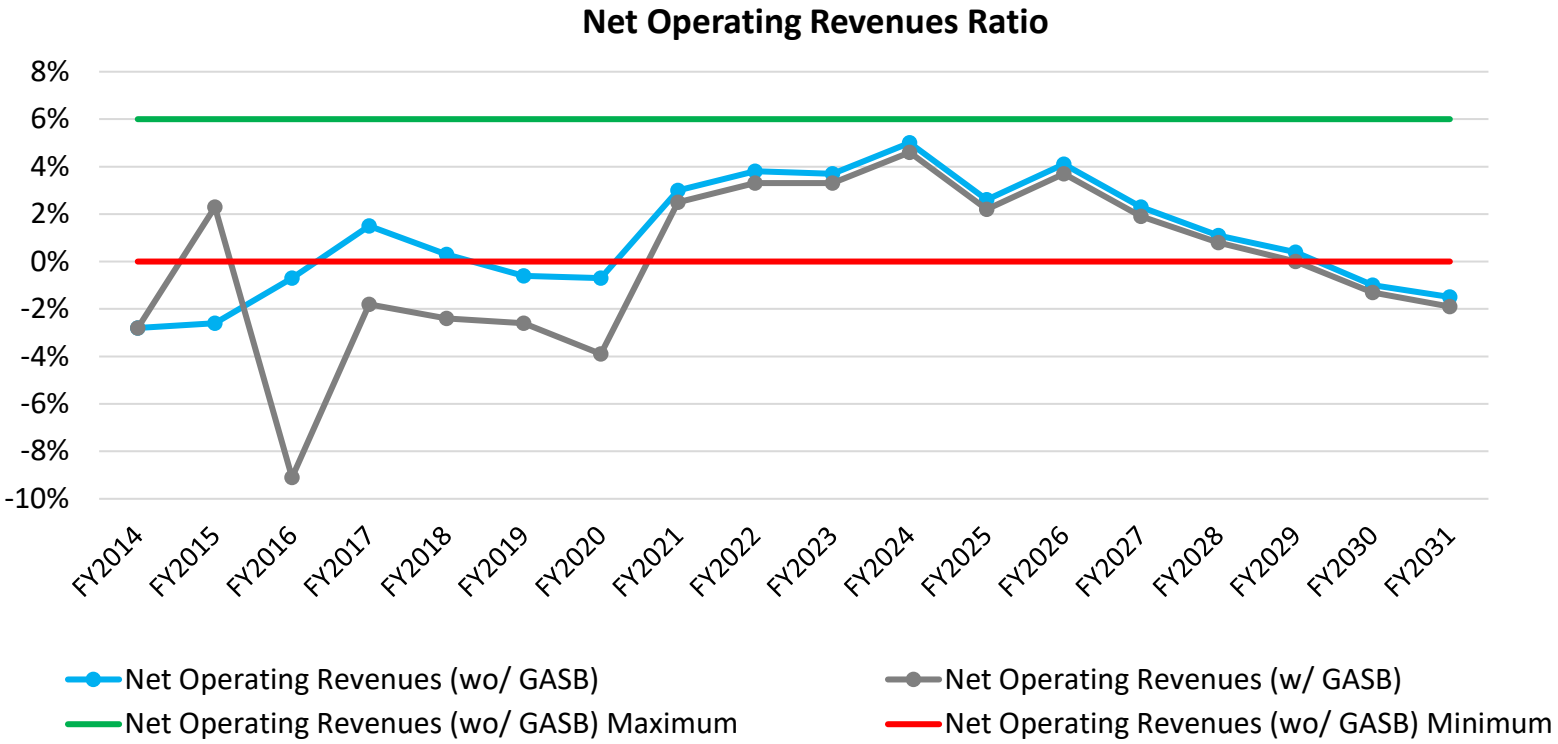


Figure 6 – Continued, 2 of 3. Principal financial metrics from FY2014 projected through FY2031 from PFM's *Synario* software. These are based on the ten-year forecast structure from January 2020 updated to actual results for FY2020, known changes, and projected trends for FY2021 and FY2022. The ratios noted as "without GASB" exclude cumulative impacts of GASB 68, 71, and 75. Horizontal lines show Board approved preferred limits (green the better result, red the worse result).



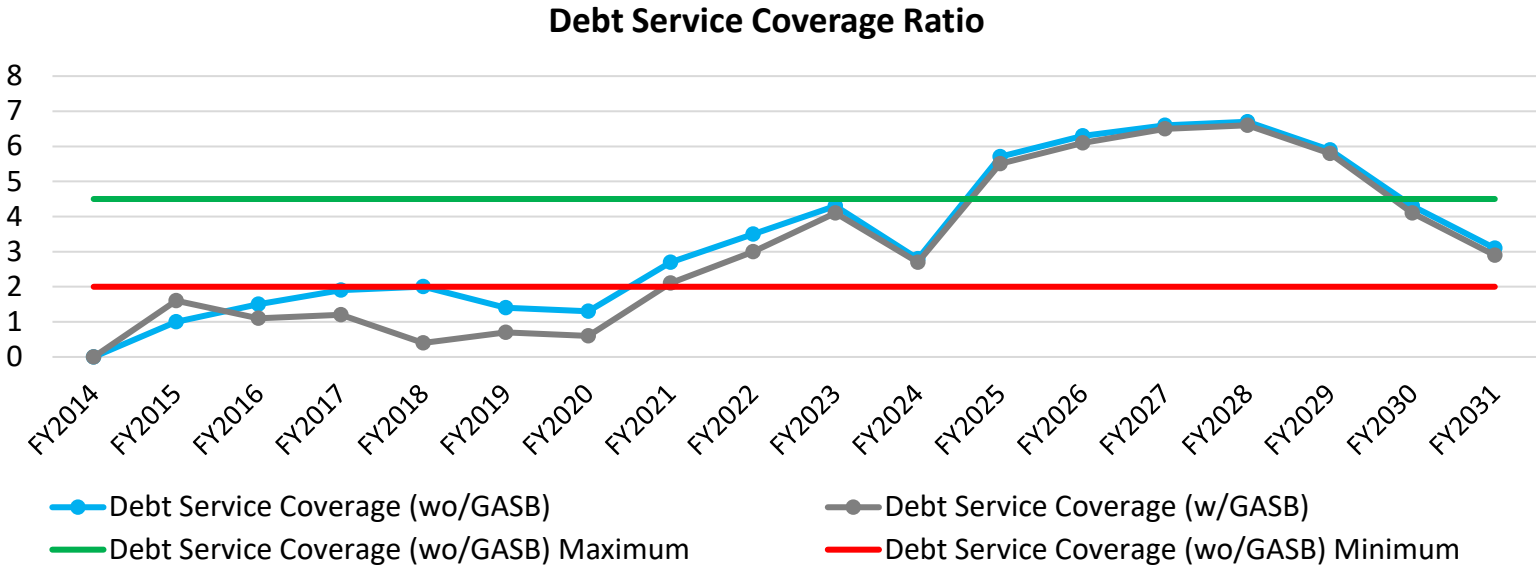
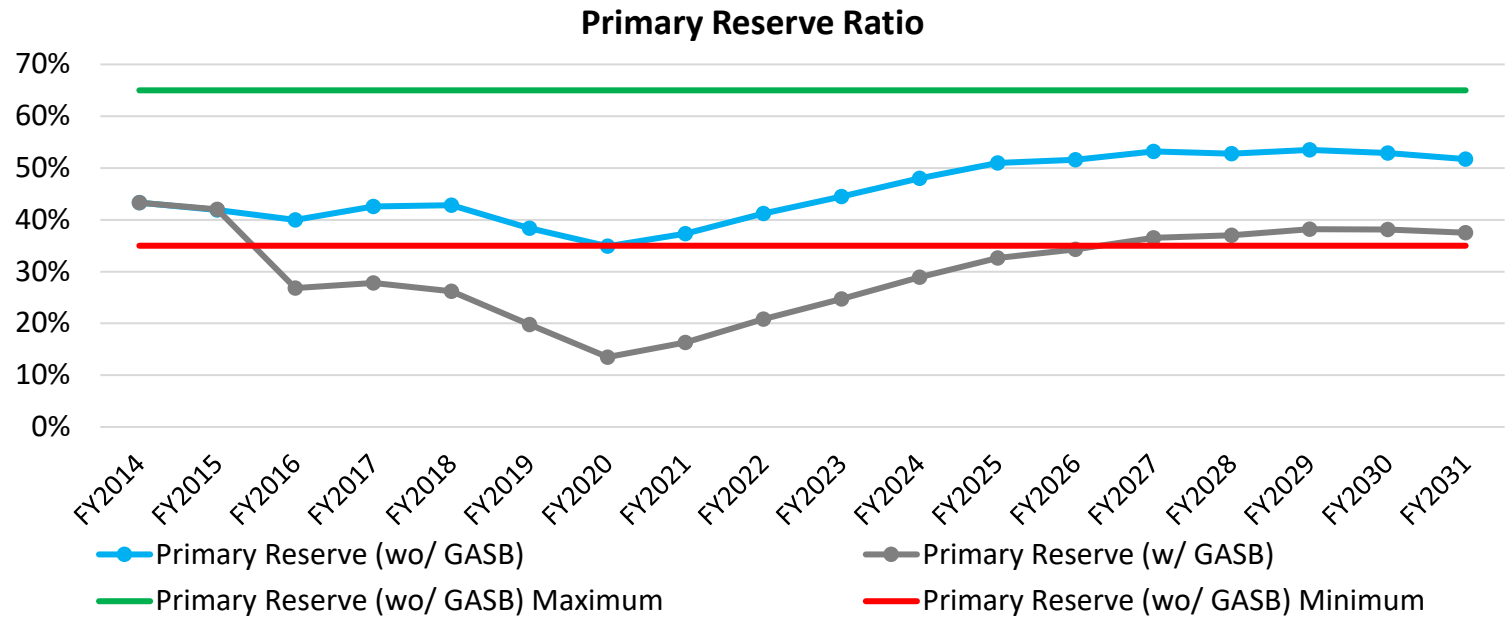


Figure 6 – Continued, 3 of 3. Principal financial metrics from FY2014 projected through FY2031 from PFM's *Synario* software. These are based on the ten-year forecast structure from January 2020 updated to actual results for FY2020, known changes, and projected trends for FY2021 and FY2022. The ratios noted as "without GASB" exclude cumulative impacts of GASB 68, 71, and 75. Horizontal lines show Board approved preferred limits (green the better result, red the worse result).



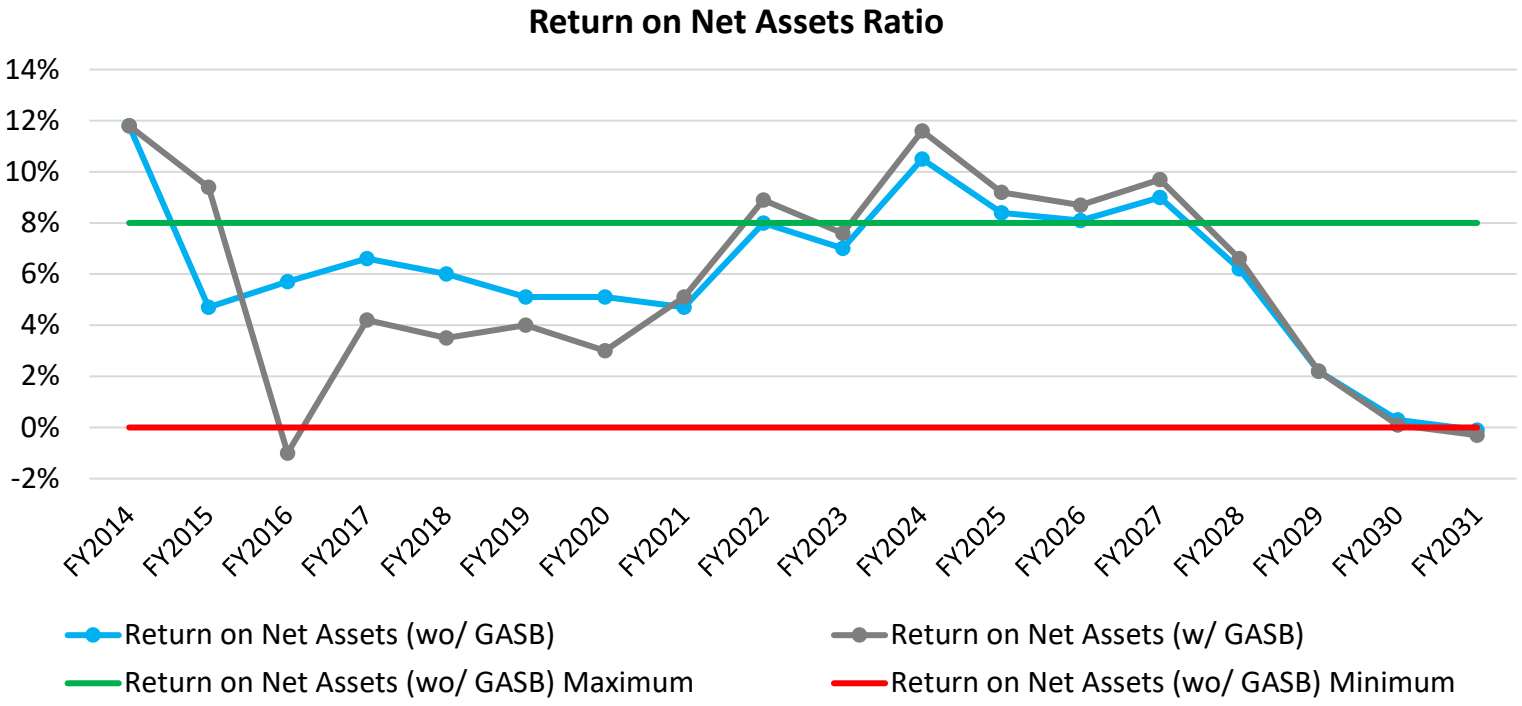


Table 3 – 1 of 2. FY2019-2029 Capital Forecast for Corvallis and Newport (Education & General)

2019-2029 OSU Capital Forecast OSU Corvallis/Newport Major Capital Projects						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partnerships, Other**
2019-2021											
Arts and Education Complex	Renovation/New	52	N/A	6.00	70.00	35.00	-	-	35.00	-	-
Burt Hall II Reconstruction	Renovation	22	2.95	8.00	10.45	-	-	-	-	-	10.45
Campus Operations Center(Shops Demo/Restore)	Infrastructure	50	2.24	9.60	26.50	-	-	23.50	-	3.00	-
Cascade Hall	Renovation	15	2.80	5.50	6.50	-	3.50	3.00	-	-	-
Cordley Hall West	Renovation	101	2.70	49.00	88.20	30.40	2.40	48.00	-	7.40	-
Graf Hall Interior Renovation	Renovation	30	2.62	3.50	6.00	-	2.75	-	-	-	3.25
Washington Way Rebuild/Improvement	Infrastructure	N/A	N/A	3.00	24.00	-	-	24.00	-	-	-
PacWave	New/infrastructure	N/A	N/A	N/A	82.50	-	-	-	-	-	82.50
Total				**84.60**	**314.15**	**65.40**	**8.65**	**98.50**	**35.00**	**10.40**	**96.20**
2021-2023											
Cordley Hall Phase III	Renovation	134	2.67	49.00	70.60	70.60	-	-	-	-	-
McAlexander Fieldhouse North Building and Shell Renewal	Renovation	61	2.51	10.00	16.00	-	4.00	-	-	12.00	-
Withycombe Hall East (Oregon Dairy Products) Renovation	Renovation	45	2,58	9.00	26.00	3.00	-	17.00	-	3.00	3.00
HMSC Seawater Infrastructure Renewal	Renovation	N/A	N/A	3.00	5.00	-	-	5.00	-	-	-
Ship Ops and HMSC Dock and Operations	Renovation	N/A	N/A	3.00	7.00	-	-	7.00	-	-	-
Research Computing Data Center	New	TBD	N/A	N/A	30.00	-	-	20.00	-	-	10.00
Total				**74.00**	**154.60**	**73.60**	**4.00**	**49.00**	**-**	**15.00**	**13.00**

Table 3 – Continued, 2 of 2. FY2019-2029 Capital Forecast for Corvallis and Newport (Education & General)

2019-2029 OSU Capital Forecast OSU Corvallis/Newport Major Capital Projects						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partnerships, Other**
2023-2025											
Collaborative Innovation Complex Phase I	New	100	N/A	N/A	120.00	70.00	-	-	-	-	50.00
Withycombe Hall West	Renovation	36	2.58	8.00	25.00	-	-	10.00	-	15.00	-
Kerr Admin Seismic Upgrade	Renovation	88	2.96	7.00	11.00	-	-	-	-	11.00	-
Snell Demolition/Site Restore	Demolition	88	2.05	43.00	10.00	-	-	-	-	10.00	-
Total				**58.00**	**166.00**	**70.00**	**-**	**10.00**	**-**	**36.00**	**50.00**
2025-2027											
Collaborative Innovation Complex Phase II	New Renovation	100	N/A	N/A	80.00	-	-	-	-	5.00	75.00
Gladys Valley Building (former gymnastics) Renovation	Renovation	24	2.56	6.70	20.00	15.00	-	-	-	5.00	-
Plant Science Innovation Center (East GH Repl)	Renovation/ Replace	28	2.00	20.00	30.00	15.00	-	-	-	-	15.00
Research Building Renovation	Renovation	TBD	TBD	17.00	35.00	26.00	-	-	-	9.00	-
Total				**43.70**	**165.00**	**56.00**	**-**	**-**	**-**	**19.00**	**90.00**
2027-2029											
Community Hall Renovation	Renovation	24	2.56	6.70	24.00	-	-	-	-	24.00	-
Gilbert Hall Repurpose	Renovation	TBD	TBD	30.00	52.00	39.00	-	-	-	13.00	-
Research Building Renovation	Renovation	TBD	TBD	30.00	42.00	27.00	-	-	-	15.00	-
Dairy Center Modernization ($12M)	Renovation	N/A	N/A	5.00	18.00	-	-	-	-	-	18.00
Weniger Hall Demolition	Renovation	211	2.62	67.00	16.00	-	-	-	-	16.00	-
Total				**138.70**	**152.00**	**66.00**	**-**	**-**	**-**	**68.00**	**18.00**
*** Cost are escalated at 5% per year based on 2020 estimates**											

Table 4. FY2019-2029 Capital Forecast for Corvallis and Newport (University Housing & Dining Services)

2019-2029 OSU Capital Forecast University Housing and Dining Services & Student Affairs						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partnerships, Other**
2019-2021											
GEM Housing Buyout and Renovation	Buyout/ renovation	N/A	N/A	N/A	20.00	-	-	20.00	-	-	-
Total				**0.00**	**20.00**	-	-	**20.00**	-	-	-
2021-2023											
Upper Division/Grad Housing	New	N/A	N/A	N/A	50.00	*project approved in '17-'19 biennium				-	-
Newport (MSI) Housing	New	TBD	N/A	N/A	27.18	*project approved in '17-'19 biennium				-	-
Azalea Child Care Center Completion	Renovation	N/A	N/A	N/A	5.00	-	-	5.00	-	-	-
Memorial Union Deferred Maintenance Project	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Rec Sports Deferred Maintenance Project	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Total				**0.00**	**15.00**	**-**	**-**	**5.00**	**-**	**-**	**10.00**
2023-2025											
Residence Hall Replacement #1	New	N/A	N/A	N/A	106.60	-	-	-	-	-	106.60
Total				**0.00**	**106.60**	**-**	**-**	**-**	**-**	**-**	**106.60**
2025-2027											
Residence Hall/Dining Center Complex #2	New	N/A	N/A	N/A	151.10	-	-	-	-	-	151.10
Memorial Union Deferred Maintenance Project	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Rec Sports Deferred Maintenance Project	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Total				**0.00**	**161.10**	**-**	**-**	**-**	**-**	**-**	**161.10**
2027-2029											
None Programmed		N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 5. FY2019-2029 Capital Forecast for Corvallis and Newport (Athletics)

2019-2029 OSU Capital Forecast Athletics						Sources of funds ($M)					
Project name	Project type	GKSF	FCA	DM removed ($M)	Total forecasted budget ($M)	State-paid Bonds	State-paid CIR	OSU-paid bonds	Pledged gift funds	E&G CIR	Gifts, Partnerships, Other
2019-2021											
Gymnastics Building Purchase and Renovation	Renovation	21.0	N/A	N/A	10.65	-	-	-	-	-	10.65
Total				**0.00**	**10.65**	-	-	-	-	-	**10.65**
2021-2023											
Reser Stadium West Grandstands	Replace	TBD	N/A	70.00	153.00	-	-	68.00	85.00	-	-
Total				**70.00**	**153.00**	-	-	**68.00**	**85.00**	-	**-**
2023-2025											
Leadership Center	New	N/A	N/A	N/A	20.40	-	-	-	-	-	20.40
Total				**0.00**	**20.40**	-	-	-	-	-	**20.40**
2025-2027											
Field Sports Building	New	N/A	N/A	N/A	14.50	-	-	-	-	-	14.50
Gill Coliseum Basement	Renovation	N/A	N/A	N/A	10.00	-	-	-	-	-	10.00
Gill Coliseum Concourse	Renovation	N/A	N/A	N/A	12.90	-	-	-	-	-	12.90
Total				**0.00**	**37.40**	**-**	**-**	**-**	**-**	**-**	**37.40**
2027-2029											
Softball Build-Out	Renovation	N/A	N/A	N/A	8.00	-	-	-	-	-	8.00
Goss Stadium Addition	Renovation	N/A	N/A	N/A	14.00	-	-	-	-	-	14.00
Rowing Center ERG & Barn Demo	Renovation	N/A	N/A	N/A	5.80	-	-	-	-	-	5.80
Total				**0.00**	**27.80**	**-**	**-**	**-**	**-**	**-**	**27.80**
*** Cost are escalated at 5% per year based on 2020 estimates**											

Table 6 – 1 of 3. FY2019-2029 Capital Forecast for Corvallis and Newport (Minor Projects)

2019-2029 OSU Capital Forecast Minor Capital						Sources of funds ($M)					
Project name	Project type	GKSF	FCA	DM removed ($M)	Total forecasted budget ($M)	State-paid Bonds	State-paid CIR	OSU-paid bonds	Pledged gift funds	E&G CIR	Gifts, Partnerships, Other
2019-2021											
CIR Systems Renewal	Renovation	N/A	N/A	27.43	27.43	-	13.54	-	-	13.89	-
E&G AES (State Wide)	Renovation	N/A	N/A	1.70	1.70	-	-	-	-	1.70	-
Valley Library Roof Replacement	Renovation	N/A	N/A	5.00	5.00	-	5.00	-	-	-	-
UHDS	Renovation	N/A	N/A	N/A	13.00	-	-	-	-	-	13.00
Student Affairs	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00
Athletics	Renovation	N/A	N/A	N/A	5.00	-	-	-	1.80	-	3.20
Total				**34.13**	**57.13**	**-**	**18.54**	**-**	**1.80**	**15.59**	**21.20**
2021-2023											
CIR Systems Renewal	Renovation	N/A	N/A	23.00	23.00	-	12.00	-	-	11.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	2.10	2.10	-	2.10	-	-	-	-
LaSells Conference Center Mechanical and Roof Renewal	Renovation	N/A	N/A	5.00	5.00	-	5.00	-	-	-	-
Corvallis Campus Carbon Neutrality Projects	Renovation	N/A	N/A	0.00	5.00	-	-	5.00	-	-	-
Corvallis Campus Electrical Infrastructure Improvements	Renovation	N/A	N/A	0.00	5.00	-	-	5.00	-	-	-
UHDS	Renovation	N/A	N/A	N/A	7.00	-	-	-	-	-	7.00
Student Affairs	Renovation	N/A	N/A	N/A	5.00	-	-	-	-	-	5.00

Table 6 – Continued, 2 of 3. FY2019-2029 Capital Forecast for Corvallis and Newport (Minor Projects)

2019-2029 OSU Capital Forecast Minor Capital						Sources of funds ($M)					
Project name	Project type	GKSF	FCA	DM removed ($M)	Total forecasted budget ($M)	State-paid Bonds	State-paid CIR	OSU-paid bonds	Pledged gift funds	E&G CIR	Gifts, Partnerships, Other
2021-2023 - Continued											
Pride Center	Renovation	N/A	N/A	N/A	4.00	-	-	-	-	-	4.00
Athletics	Renovation	N/A	N/A	N/A	5.80	-	-	-	5.80	-	-
Total				**30.10**	**61.90**	**-**	**19.10**	**10.00**	**5.80**	**11.00**	**16.00**
2023-2025											
CIR Systems Renewal	Renovation	N/A	N/A	26.00	26.00	-	21.00	-	-	5.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	2.10	2.10	-	2.10	-	-	-	-
Corvallis Campus Electrical Infrastructure Improvements	Renovation	N/A	N/A	N/A	5.00	-	-	5.00	-	-	-
UHDS	Renovation	N/A	N/A	N/A	8.00	-	-	-	-	-	8.00
Student Affairs	Renovation	N/A	N/A	N/A	6.00	-	-	-	-	-	6.00
Athletics	Renovation	N/A	N/A	N/A	2.05	-	-	-	2.05	-	-
Total				**28.10**	**49.15**	**-**	**23.10**	**5.00**	**2.05**	**5.00**	**14.00**
2025-2027											
CIR Systems Renewal	Renovation	N/A	N/A	53.00	53.00	-	21.00	-	-	32.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	2.10	2.10	-	2.10	-	-	-	-

Table 6 – Continued, 3 of 3. FY2019-2029 Capital Forecast for Corvallis and Newport (Minor Projects)

2019-2029 OSU Capital Forecast Minor Capital						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partnerships, Other**
2025-2027 - Continued											
Corvallis Campus Electrical Infrastructure Improvements	Renovation	N/A	N/A	0.00	5.00	-	-	5.00	-	-	-
UHDS	Renovation	N/A	N/A	N/A	9.00	-	-	-	-	-	9.00
Student Affairs	Renovation	N/A	N/A	N/A	7.00	-	-	-	-	-	7.00
Athletics	Renovation	N/A	N/A	N/A	4.90	-	-	-	4.90	-	-
Total				**55.10**	**81.00**	**-**	**23.10**	**5.00**	**4.90**	**32.00**	**16.00**
2027-2029											
CIR Systems Renewal	Renovation	N/A	N/A	34.00	34.00	-	21.00	-	-	13.00	-
E&G AES (State Wide)	Renovation	N/A	N/A	2.10	2.10	-	2.10	-	-	-	-
UHDS	Renovation	N/A	N/A	N/A	10.00	-	-	-	-	-	10.00
Student Affairs	Renovation	N/A	N/A	N/A	8.00	-	-	-	-	-	8.00
Athletics	Renovation	N/A	N/A	N/A	4.00	-	-	-	4.00	-	-
Total				**36.10**	**58.10**	**-**	**23.10**	**-**	**4.00**	**13.00**	**18.00**
*** Cost are escalated at 5% per year based on 2020 estimates**											

Table 7. FY2019-2029 Capital Forecast for OSU-Cascades (Education & General)

2019-2029 OSU Capital Forecast OSU-Cascades Education and General Fund						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partnerships, Other**
2019-2021											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2021-2023											
Student Success Center	New	18	N/A	N/A	18.80	13.80	-	5.00	-	-	-
Campus Maintenance Center	New	TBD	N/A	N/A	0.80	-	-	0.80	-	-	-
Land Development - Area 2	New	N/A	N/A	N/A	17.00	-	-	17.00	-	-	-
Land Development - Innovation 2025	New	N/A	N/A	N/A	26.00	-	-	-	-	-	26.00
Total				**0.00**	**62.60**	**13.80**	**-**	**22.80**	**-**	**-**	**26.00**
2023-2025											
Health Sciences and Recreation Center Phase 1	New	55	N/A	N/A	44.00	10.00	-	34.00	-	-	-
Total				**0.00**	**44.00**	**10.00**	**-**	**34.00**	**-**	**-**	**-**
2025-2027											
Academic Building 3	N/A	N/A	N/A	N/A	55.00	49.40	-	-	5.60	-	-
Total				**0.00**	**55.00**	**49.40**	**-**	**-**	**5.60**	**-**	**-**
2027-2029											
Academic Building 4	New	28	N/A	N/A	37.00	31.40	-	-	5.60	-	-
Total				**0.00**	**37.00**	**31.40**	**-**	**-**	**5.60**	**-**	**-**
*** Cost are escalated at 5% per year based on 2020 estimates**											

Table 8. FY2019-2029 Capital Forecast for OSU-Cascades (Auxiliaries)

2019-2029 OSU Capital Forecast OSU Cascades Auxiliaries						Sources of funds ($M)					
Project name	**Project type**	**GKSF**	**FCA**	**DM removed ($M)**	**Total forecasted budget ($M)**	**State-paid Bonds**	**State-paid CIR**	**OSU-paid bonds**	**Pledged gift funds**	**E&G CIR**	**Gifts, Partnerships, Other**
2019-2021											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	-	-	-	-	-	-
2021-2023											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	-	-	-	-	-	-
2023-2025											
Early Learning Center + K-5 School	New	TBD	N/A	N/A	37.00	-	-	-	-	-	37.00
Innovation District - Row Housing	New	TBD	N/A	N/A	16.76	-	-	-	-	-	16.76
Total				**0.00**	**53.76**	**-**	**-**	**-**	**-**	**-**	**53.76**
2025-2027											
Innovation District - Partner Buildings	New	TBD	N/A	N/A	109.10	-	-	-	-	-	109.10
Total				**0.00**	**109.10**	-	-	-	-	-	**109.10**
2027-2029											
None Currently Programmed	N/A	N/A	N/A	N/A	-	-	-	-	-	-	-
Total				**0.00**	**-**	-	-	-	-	-	-
*** Cost are escalated at 5% per year based on 2020 estimates**											

Major Assumptions

The forecast is built from estimates of enrollment in major categories for all locations. It also assumes growth in staffing of faculty, academic staff, and support services, driven largely by growth in various types of enrollment. For the most part, the specific academic programs and administrative support units in which this growth will occur are not identified here, since the forecast is at the institutional level. However, the growth assumptions are based on anticipated student demand in selected programs, priorities in the strategic plan, and needed improvements in critical support services.

The following are the assumptions for the core scenario under each major fund category. *Synario* generates an operating summary for each of the three fund types. These are the general trend assumptions. In some years specific revenues or expenses have been adjusted to match known losses or increments outside the normal trends. This is particularly true for FY2022 and FY2023.

- Education and General Funds:
  - That the Corvallis Campus secures its historic share of Oregon high school graduates by fall 2021 and follows demographic trends after that (Figure 1). Resident enrollments peak at about 14,800 in FY2027 then decline to 13,600 in FY2030.
  - Non-resident undergraduate enrollments (including international students) grow by 20 students a year after declining in FY2021. Rather than assuming a percentage ceiling for non-resident enrollment, the forecast assumes reserving 15,000 seats for undergraduate resident students (those enrollments peaked at 14,800 in FY2016). The projected growth in the forecast does still have resident enrollment at 67% or more of undergraduate enrollment in Corvallis in all years of the forecast.
  - Graduate enrollments are relatively flat through FY2021 then grow by 20 students a year through FY2030. Enrollments in Pharmacy and Veterinary Medicine are flat after a final increase in the non-resident class in Veterinary Medicine in fall, 2020.
  - Ecampus revenue growth continues at about 8% in FY2021 then slows to 4.5% by FY2030. This assumes continued growth in use of Ecampus by Corvallis students and implementation of the current program development plan in Ecampus.
  - Cascades growth is modeled at an intermediate scenario, increasing to a little over 2,700 student headcount by FY2030 with a student mix similar to that now (about 80% undergraduate and 90% Oregon residents).
  - Implementation of six strategic enrollment and cost strategies including:
    - Incremental expense reduction: The forecast assumes expense reduction of an incremental $4.5M per year in Education and General spending beginning in FY2022 (so $4.5M in FY2022, $9.0M in FY2023, etc.) relative to the base case. This reduces total expenses in FY2030 by about 3%.
    - Non-resident undergraduate enrollment initiative: This recognizes work underway, led by the Division of Enrollment Management in collaboration with INTO-OSU and the colleges, on new international student recruiting (diversifying countries of origin, country-specific discounting, first-year experience for direct admissions) and on recruiting out-of-state U.S. students (identifying key target markets, capacity-based pricing, financial aid strategies, staffing strategies). The initiative assumes growth of 30 students per year over the base case beginning

in fall 2022 for a total increase of 270 students over the base case in FY2030. The initiative includes estimates of direct and indirect costs for staffing the enrollment growth

- Transfer student initiative: This recognizes work underway in the Division of Enrollment Management to increase transfer student enrollment including placement of advisors in select community colleges, pricing and financial aid strategies, improvements in transcript evaluation, development of hybrid offerings in Portland, and improved transfer advising and orientation. The initiative as modeled assumes growth of 20 students per year over the base case beginning in fall 2022 for a total increase of 180 students over the base case in FY2030. The initiative includes estimates of direct and indirect costs for staffing the enrollment growth.
- Non-thesis graduate enrollment initiative: This initiative is based on work led by colleges and the Graduate School to increase revenue-generating graduate enrollment, particularly in areas where there is existing teaching capacity. The initiative assumes growth of 35 students per year over the base case beginning in fall 2022 for a total increase of 315 students over the base case in FY2030. The actual distribution of enrollment might include full-time and part-time enrollment in both degree programs and certificates. The initiative includes estimates of direct and indirect costs for staffing the enrollment growth
- Professional education initiative: There is a significant opportunity for OSU to deliver more professional education to businesses and working adults. This initiative is at the earliest stage of development. It is modeled using the growth rates seen early in the development of Ecampus, which took a few years to show significant growth. This kind of education would be delivered as individual courses, many likely for non-credit. It would be measured more in engagements with companies or groups (each having multiple enrollment of employees) than traditional course or degree-based enrollments. The initiative is modeled as growing from about 50 engagements in FY2021 to a little over 100 by FY2030, with net revenues growing from $0.4M inFY2021 to $5.3M in FY30.
- Additional Ecampus growth: Ecampus has developed a detailed program development plan for degrees, courses and certificates. The base case assumes that most of these are built out and delivered. Historically, Ecampus has generally exceeded the forecast revenue growth and this initiative assumes there is a new program identified not in the current plan or that some of the existing programs exceed projected enrollment growth.

- Tuition increases for resident undergraduates of 4.5% in the first year of each biennium (because of continued PERS rate increases) and 3% in other years. Ecampus and summer rate changes follow resident undergraduate tuition
- Non-resident undergraduate tuition increases at 3% per year. Increases larger than this are considered to negatively impact non-resident recruitment.
- Professional tuition set to track peer institutions at 4% per year increase after FY2022.
- Graduate tuition increases of 3% annually for residents and 4% for non-residents.
- Ecampus tuition rates increase at 3% per year for all student categories.

- Institutional financial aid is estimated at 10% of total tuition (equivalent to a bit over 12% of undergraduate tuition).
- Cascades tuition rates increase at the same rates used for Corvallis.
- Infrastructure projects impact the operating forecast for debt service, cash outlays, or operations and maintenance as detailed in the capital forecast.
- State funding increases at 2.5% per biennium. This is conservative but is the long-term average rate over the last 20 years, smoothing out highs and lows tracking economic activity to match the state appropriation distribution of 49% in the first year and51% in the second. The same increases are assumed for Corvallis, Cascades and the SWPS.
- Student fees rates are assumed to increase at 3.3% per year.
- Other major revenues (F&A recovery, federal and county appropriations, etc.) are assumed to increase 2% per year.
- Salary increases are uncertain but higher-side increases are modeled for a conservative impact. Classified salaries (staff represented by SEIU) and graduate and other pay are assumed as negotiated.
- Benefits growth of 5% annually for health insurance, and at state-set rates for retirement, with larger increases (over 10%) in even fiscal years when PERS adopts new rates. The state rate-setting valuation is updated each odd year to establish employer contribution rates for the biennium beginning eighteen months later (i.e. rates effective July 2019 through June 2021 were based on a December 31, 2017 valuation date). The PERS rates are estimated including the impact of changes made in the 2019 legislative session. The rate estimates have larger increases starting in FY26 due to anticipated expiration of some parts of the legislative adjustments, net of the sunsetting of charges for the repayment of pension obligation bonds, although the impact of these changes might not be realized until a later biennium.
- General inflation on goods and services of 2.5%, yielding aggregate local inflation of about 4% to 5% in years with large PERS increases and 3.0% to 3.5% in other years.

- Capital Forecast:
  - OSU-paid debt as outlined in the current capital forecast, including debt paid by E&G funds and by self-supporting operations for revenue bonds or state XI-F(1) bonds.
  - Significant gift funding for all new academic building projects.
  - Capital renewal funding that includes biennial funding paid by the state, some minor capital projects funded from unit cash, and E&G-paid capital renewal funding (a mix of debt service and direct operating cash).
  - State-paid debt of about $57M per biennium for Corvallis projects (total of $285M through FY2031), though the distribution varies across biennia.
  - Self-supporting projects paid entirely by private capital, revenue bonds or capital renewal funds (University Housing and Dining) or gift funds, revenue bonds, or state XI-F(1) bonds (Athletics).
  - Details are outlined in Tables 3 through 8.

- Other issues affecting the financial statements:
  - PERS liability: The state annually assigns OSU a portion of any changes in the PERS liability. Updates for actual investment returns, member census data, and financial information; and variable factors such as statute changes, long-term expected rate of return assumptions, inflation rate, discount rate, projected salary increase assumptions, and demographic assumptions such as expected mortality are made to adjust the current net position. The pool values are allocated to OSU and are recorded annually in the financial statements. This is one of the areas of significant uncertainty in projecting the financial statements.
  - PERS side account: The forecast includes the impacts of funding a $10M side account that received $2.2M in matching state funding that reduces retirement rates for ten years beginning in December 2020.
  - Changes in accounting standards: Changes in accounting requirements (as with the impact of GASB standards 68, 71, and 75 on pension liability reporting) can change the university's financial position.