



 The Board of Trustees of Oregon State University

Meeting of the Finance & Administration Committee

June 2, 2016

Horizon Room

Memorial Union, OSU

Corvallis, Oregon

MINUTES

Committee Members Present: Ron Adams (*ex officio*), Mark Baldwin, Patty Bedient, Julia Brim-Edwards, Darry Callahan, Mike Green (*ex officio*), Brett Morgan, Laura Naumes, Pat Reser (*ex officio*), Kirk Schueler (*chair*), and Mike Thorne (*vice chair*)

Other Trustees Present: Mike Bailey, Rani Borkar, Michele Longo Eder, Paul Kelly, and Ed Ray

University Staff Present: Anita Azarenko, Angela Batista, Sherm Bloomer, Steve Clark, Debbie Colbert, Becca Gose, Mark Huey, Clay Simmons, Patti Snopkowski, and Marcia Stuart

Guests: Susan Musselman (*director, Public Financial Management, Inc. – PFM*), Monique Spyke (*director, PFM*), and Thomas Toepfer (*senior managing consultant, PFM*)

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

Committee Chair Kirk Schueler called the meeting to order at 3:02 p.m. He asked the assistant board secretary to call the roll and noted a quorum.

2. Report from the Interim Vice Presidents for Finance and for Administration

Interim Vice President for Finance Mike Green reported on the biennial funding request from Oregon's public universities and, more specifically, from Oregon State University. He updated Committee members on the University's FY2016 operating budget and said that the Committee would be acting on the FY2017 operating budget later in the meeting. Green spoke briefly about the Higher Education Coordinating Committee's (HECC) priorities, noting the HECC's support for an increase in funding for the Oregon Opportunity Grant program and its request to the public universities to submit an operating funding request modeled on the highest proposed level of state support. Green said the HECC will hold a hearing later in June about the overall operating budget funding request.

Interim Vice President for Administration Ron Adams reported on the 2017-19 capital funding request to the HECC. He reminded the Board that it had approved Oregon State's capital request for projects requiring state-paid bonding at the March 2016 meeting. The request was for \$208.5 million in total investment for the Corvallis and Bend campuses, including \$164.5 million in state-paid bonding. He said that in April the vice presidents for finance and administration of the seven public universities met to create a tiered list of all projects, which the universities submitted to the HECC. OSU's Tier 1 projects totaled \$47.5 million, including \$38 million for the Corvallis campus and \$9.5 million for OSU-Cascades. In making its submission, OSU communicated to the other public universities its intention to pursue the remaining \$60 million in capital projects for the

TAB A

OSU-Cascades campus separately from the tiered list submission process. In May, the Governor's office asked the HECC to pause its capital planning process until the HECC briefs the Governor's Office on HECC's priority-setting process. Adams reported that the "pause" was still in effect at the time of the Committee's meeting.

3. Consent Item

a. Minutes of the May 24, 2016 meeting

A motion was made and seconded to approve the March 30, 2016 Committee meeting minutes as presented. The motion carried.

4. Action Items

a. FY2017 Operating Budget

Adams summarized the Board action at its March meeting when it endorsed a \$765 million minimum funding level needed for the Public University Support Fund for the 2017-19 biennium. Adams said that that funding level would allow Oregon's public universities to maintain current efforts for student success and services for Oregonians and keep tuition increases below 5%. While the HECC has not discussed any specific operating priorities, Adams said the agency had signaled that funding for the Oregon Opportunity Grant is likely to be a significant focal point of the agency's budget request. Adams noted that the HECC is also interested in having the public universities quantify anticipated outcomes, primarily degree completions, for the \$943 million funding level of the Public University Support Fund, the highest scenario that the HECC has requested be considered by the universities in their consolidated request. At HECC's meetings in June, Adams said that he expects the Funding and Achievement Subcommittee of the HECC will consider and advance recommendations on both capital and operating requests to the full Commission for their approval. Once Oregon State staff see the HECC recommendations, the public universities' Legislative Advisory Council is likely to advise on how best to react to those recommendations.

Following Adams' summary, Director of Budget and Fiscal Planning Sherm Bloomer made a presentation on the University's proposed FY2017 operating budget, summarizing the proposal and providing a context for it. Bloomer noted that the proposed budget, totaling \$1.17 billion in revenues and \$1.17 billion in expenditures and net transfers, provides a plan to develop and distribute resources that will support, consistent with the University's draft 10-year business strategy, faculty, staff and University leadership pursuing the goals outlined in Strategic Plan 3.0. Bloomer said that the proposed operating budget is an estimate of the resources and investments for the next fiscal year and noted that there are a number of uncertainties in the projections and some challenges facing the University in the next year. He noted that traditional on-campus student enrollment was flattening but Ecampus enrollment continued to grow. Although state funding had increased for the 2015-17 biennium, the state is projected to have a gap of about \$1 billion dollars in the 2017-19 biennium, due primarily to new costs to the state to fund the Public Employee Retirement System (PERS). Trustee Patty Bedient asked about the costs to Oregon State related to PERS and the Public Employees Benefit Board (PEBB). She asked that the Committee have a discussion at a future meeting about how the University might go about addressing those growing costs. Bedient also asked about the Athletics Department's deficit. Green responded that staff would submit a plan to the Committee for discussion at its January 2017 meeting and an interim report in October.

Following further discussion, a motion was made and seconded to recommend to the Board that it approve the operating budget for FY2017 as presented in Tab N, Tables 1-4. The motion carried.

b. FY2017 Capital Plan Amendment

Adams reminded the Committee that the Board approved the 2015-17 Capital Plan in May 2015. He then introduced Special Assistant to the Vice President for Finance and Administration/CFO Anita Azarenko, who made a presentation that described the project costs for the Oregon Forest Science Complex, which had increased \$8 million, and a new proposed project, the Complex for Resilient Infrastructure and Safety, which staff are proposing to include in the 2015-17 Capital Plan, rather than in the 2017-19 draft Integrative Capital Plan. This latter project would add \$10 million to the 2015-17 Capital Plan, half financed through gifts and half financed through a loan to the College of Engineering from the University's Internal Bank.

Following discussion, a motion was made and seconded that the Committee recommend to the Board that it approve the FY2017 Capital Plan Amendment. The motion carried.

c. Financial Metrics – Establishing Operating Ranges

Green reminded Committee members that at its March 2015 meeting, the Committee approved several financial- and facilities-related metrics to track the University's financial health and the condition and use of the University's facilities. At that time, the Committee asked staff to evaluate and propose operating ranges for each of the approved metrics to provide a way for the Committee to carry out its fiduciary responsibilities. Green noted that the data needed to establish operating ranges for the facilities-related metrics was under development and that staff will bring proposed operating ranges for those metrics to the Committee for review and possible approval in October. Green introduced Susan Musselman and Thomas Toepfer from Public Financial Management, Inc. (PFM). Toepfer made the presentation to the Committee, which described PFM's work in analyzing peer data from universities that share an AA3 credit rating with Oregon State and providing guidance in proposing operating ranges for the eight financial metrics staff propose the Committee adopt. Discussion followed. Schueler requested that historical trends be included in the metrics when such trends are known. Green said that PFM will annually review the ranges and make recommendations to staff whether to revise them. Staff will bring these recommendations to the Committee annually.

Following discussion, a motion was made and seconded that the Finance & Administration Committee adopt the proposed operating ranges for the financial metrics as shown in Tab P, p.2. The motion carried.

5. Adjournment

With no additional business proposed, Schueler adjourned the meeting at 4:56 p.m.

Respectfully submitted,

Mark C. Huey
Assistant Board Secretary