

**Attendance.**

Tim Boyle	Excused	Andy Storment, Chair	Present
Renee Evans Jackman	Present	Jenny Ulum	Present
Lillian Moses	Present	Dennis Worden	Present
Connie Seeley	Present		

**Convening.** The Finance and Facilities Committee (FFC) of the Board of Trustees of the University of Oregon (Board) met at the Ford Alumni Center on December 4, 2023. Committee Chair Andy Storment called the meeting to order at 9:01 a.m. Pacific Time. (All times noted going forward are Pacific Time.) The secretary verified attendance and a quorum.

Below is a summary of the meeting’s proceedings; a full recording is available upon request.

**Quarterly Financial and Treasury Reports (Action).** Jamie Moffitt, chief financial officer and senior vice president for finance and administration, and Brian Fox, associate vice president for budget, financial analysis, and data analytics began by reviewing key financial metrics for Quarter One (Q1) of FY 2024. Fox highlighted several takeaways for Q1 including the following: (1) state appropriation was forecasted to increase due to the higher level of Public University Support Funds (PUSF) secured during the legislative session, as well as additional funded one-time projects approved by the state, (2) projected tuition and fee revenue is down due to lower than expected first year enrollment and carrying loads, which is partially offset by strong summer enrollment, study abroad and higher continuing student carrying loads, and (3) personnel services costs are forecasted to be up due to significant hiring since the spring of 2023. Fox noted Q1 projection shows an estimated year-end fund balance gain of \$.8 million down from initial projections of \$4.9 million. Projected year-end fund balance for FY24 is \$114 million (9.3 weeks of operating expense). Moffitt and Fox highlighted the impact of increased staffing, which had been stagnant or depressed for the last several years. Fox then discussed this quarter’s metric in focus - nonresident undergraduate tuition revenue, describing several key points, including: (1) how per student funding at the University of Oregon is less than half of the average funding of public AAU peers; (2) that on a per student basis nonresident undergraduate students contribute far more revenue than resident undergraduate students, even when resident tuition and state appropriations are combined; (3) that UO nonresident undergraduate tuition is above the AAU public average; and (4) that domestic non-resident enrollment has grown over the last ten years, almost replacing lost international enrollment from the mid 2010’s. Trustees asked questions and engaged in discussion on items including but not limited to the tuition rate difference between resident undergraduate students and non-resident undergraduate students, and level of remissions for undergraduate students

Jeff Shumacher, director of treasury operations, provided the quarterly treasury update reviewing the university’s cash and investment balances. He noted that average balances for the first quarter were \$542 million, approximately \$85 million more than the same quarter in FY23. Schumacher described the major factors contributing to the increased balances, including increased plant funds and increased E&G fund balances. Schumacher shared that as some of the university’s major capital projects move forward (e.g., Huestis, Knight Campus, Heritage Project) cash balance increases over prior year are expected to drop. Checking account balances remained elevated above historical levels during the quarter due to

attractive investment rates in deposit accounts and money market funds. Trustees asked questions and engaged in discussion on items including but not limited to the university's debt level.

Jeff Shumacher, director of treasury operations, provided the annual treasury report. Shumacher began by sharing that FY23 returns were mixed this year, noting that T3 portfolio returns significantly underperformed in FY23 but were about 3.5% above the benchmark over the last two years. He discussed how net investment income totaled \$15 million in FY23. Schumacher walked through the university risk profile, noting that overall credit risk is low, with all checking accounts being fully collateralized and liquidity and interest rate risk remains low because of large checking, money market, and state treasury account balances. Next Shumacher compared several factors in relation to public AAU peers, including the fact that UO's investment ratio of total cash and investment per student FTE is 38% of that of peers and net assets per student FTE is 56% of the peer group. Despite improving balance sheet metrics, UO continues to be near the bottom of the public AAU peer group on university cash and investment ratios. Additionally, for its size UO has taken on a lot more debt than peer institutions. Trustees asked questions and engaged in discussion on items including but not limited to the university's debt capacity and the university's credit ratings in relation to peers.

**Audited Financial Statements.** Jamie Moffitt, chief financial officer and senior vice president for finance and administration and Kelly Wolf, associate vice president and university controller reviewed the university's annual audited financial statements. Wolf noted several key points, including the fact that the audit was clean, or unmodified, with no findings from the auditors. He also shared that the university implemented GASB statement 96, which reclassifies subscription-based information technology arrangements from direct maintenance expense to lease financing and that the total GASB pension/OPEB liability reduced by \$6.9 million to \$268.6 million. Wolf noted that overall revenues increased \$85.3 million and overall operating expenses increased by \$96.0 million. Wolf noted that, excluding extraordinary capital gifts, the four-year Compound Annual Growth Rate (CAGR) for revenue was 7.9% with a year-over-year increase of 12.5%, and the four-year CAGR for operating expenses was 3.2% with a year-over-year increase of 9.0%. He reviewed the four-year cash flow, highlighting the recent partnership with the state to buy down the institution's PERS liability. Moffitt discussed the university's financial ratios and metrics, an area of emphasis by the state Higher Education Coordinating Commission (HECC). These included the primary reserve ratio, viability ratio, return on net assets ratio, and the debt burden ratio.

Trustees asked questions and engaged in discussion on items including but not limited to the reason for the decrease in GASB pension/OPEB liability, the HECC's focus on the financial ratios and metrics, ways to determine if debt taken amplifies risk, the implementation and impacts of GASB statement 101, and the interest rate of the internal bank.

**Fiscal year 2023 External Auditor Report.** Matt Parsons, external auditor with Moss Adams LLP reviewed the university's FY23 financial audit, starting by reviewing the scope of the audit including the university's annual financial statements and the compliance audits of the Student Financial Assistance Cluster and the COVID-19 Education Stabilization Fund. Parsons noted the unmodified opinion issued by the auditor, highlighting the clean audit, completed on time. FFC Chair Stormont noted the engagement Board leadership has had with the auditor to review any issues related to the audit.

**Annual Capital Planning Report and Forecast.** Michael Harwood, associate vice president for campus planning and facilities management provided the annual ten-year capital plan. Harwood began by

reviewing current projects, noting the impact inflation has had as of late on project costs, with a 62.7% increase in the last ten years and a 25.3% increase over the past three years. Harwood then reviewed the university project dashboard, tracking budget, schedule, program, and unanticipated deferred maintenance issues. Next, Harwood reviewed several recent projects including the housing transformation project, Knight campus Phase II, Huestis deferred maintenance, and the Heritage Project. Steve Mital, director of the Office of Sustainability described the university's climate action plan, providing an update on the university's progress on its 2019-2024 plan. Mital described that the university is on track to meet all its plan objectives. He then discussed the thermal systems task force which is exploring the feasibility and options for adjustments to the university's heating system. Harwood then described efforts to address deferred maintenance issues on campus, noting a current projected backlog for 2024 of \$428 million, which does not include UO Portland or any seismic retrofits. Harwood described the funding sources for current projects, which include gifts and grants, state paid bonds, internal bank resources, auxiliary funds, and E&G funds. Trustees asked questions and engaged in discussion on items including but not limited to approval of the acoustic facility in Portland, and deferred maintenance versus refurbishment of facilities.

**UO Foundation Annual Report.** Paul Weinhold, president, and CEO of the University of Oregon Foundation reviewed the financial holdings of the UO Foundation, noting a total portfolio of \$2.8 billion. Weinhold described four categories of assets: long-term investments (\$2.19 billion), short term investments (\$326 million), pledges (\$190 million), and real estate and other assets (\$91 million). Next, Weinhold reviewed investment returns over the last ten years (7.7% average per year), noting the more challenging market conditions over the last two years.

Trustees asked questions and engaged in discussion on items including but not limited to the makeup of the pledges, the duration of pledge commitments, and the benchmarks for returns.

**Meeting Adjourned at 10:31 a.m.**