

Attendance.

Marcia Aaron	Present	Lillian Moses	Present
Tim Boyle	Present	Patrick Phillips	Present
Renee Evans Jackman	Present	Connie Seeley	Present
Ross Kari, Chair	Present		

Convening and Approval of Minutes. 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 5, 2022. Committee Chair Ross Kari called the meeting to order at 9:00 a.m. Pacific Time. (All times noted going forward are Pacific Time.) The secretary verified attendance and a quorum.

The committee approved the minutes from its September 15 meeting without amendment. Below is a summary of the meeting's proceedings; a full recording is available upon request.

Quarterly Financial and Treasury Reports (Action). Jamie Moffitt, Senior Vice President for Finance and Administration and CFO; Brian Fox, Associate Vice President for Budget, Financial Analysis, and Data Analytics provided an overview of key quarterly financial indicators highlighting that projected tuition revenue is up due to strong first year enrollment, personnel services forecasted costs are up slightly, Q1 projections show an estimated gain of \$8.4 million, and the projected year-end balance for FY23 is \$101.7 million, which equates to 8.7 weeks of operating balance. Trustees engaged in questions and conversations on items including, but not limited to, cost projections of increased staffing and impacts of housing on auxiliary budgets

Jeff Schumacher, Director of Treasury Operations, provided the quarterly and annual treasury report. Schumacher highlighted that average balances for Q1, excluding unspent bond proceeds and payroll tax deferral funds, were \$448 million (approximately \$63 million more than the same quarter in FY22). Schumacher noted at the outset of the annual report there are no substantive changes to the treasury operations policy or procedures. He then described annual performance noting that most investments outperformed benchmarks, except for the Fixed Income benchmark, and that realized income increased slightly while unrealized losses totaled \$12 million in FY22. Schumacher noted overall credit risk is low, liquidity risk remains low, and interest rate risk remains low. Regarding debt characteristics, Schumacher described that in August Moody's reaffirmed a rating of Aa2/negative and S&P reaffirmed UO bonds' credit rating of AA- with an upward change to stable outlook. He then walked through university peer comparisons of total cash and investments per student, net assets per student, investments in relation to operating expenses, and debt to revenue. Trustees engaged in questions and discussions on items including, but not limited to, comparison of investments per student in relation to peers most like the university, how rising interest rates have affected the university, and timing of S&P higher education sector outlook adjustments.

Fiscal Year 2022 Audited Financial Statements: Jamie Moffitt, Senior Vice President for Finance and Administration and CFO; Kelly Wolf, Associate Vice President for Business Affairs and Controller reviewed the FY22 audited financial statements. Wolf began by reviewing key elements of the audit including that the university had a clean audit with no findings or management letter comments from

the auditor; implementation of GASB Statement 87 reclassifying all leases to long-term financing; FY22 revenues and expenses were normalizing after two years of COVID related impacts; and that the total GASB pension liability reduced by \$34.8 million to \$275.4 million. Next, Wolf described how overall revenues increased \$193.9 million and overall operating expenses, excluding GASB pension adjustments and special items, increased \$100.9 million. Wolf described four-year trends for revenue, sources of revenue, expense trends, and classifications of expenses - noting the university's net position has increased over the four-year period, including GASB 68/75, by a 14.8% CAGR. Net Investment in Capital Assets is \$1.3 billion, and the university is below the industry recommended maximum debt burden ratio. Trustees engaged in questions and conversation on items including, but not limited to, the change in GASB standards, useful ratio standards to monitor, and impacts of the new state leave program.

Fiscal Year 2022 External Audit Report: FFC Chair Kari began by noting the current lead auditor will cycle off as the lead auditor for the university, in alignment with industry best practices. Scott Simpson, Partner at Moss Adams LLP, provided an overview of the FY22 audit noting the university has received a clean, unmodified opinion with no financial reporting findings, and no compliance findings. Simpson reviewed the FY22 programs audited, specifically the sponsored research projects and HEERF funds. Next, Simpson reviewed subjects of mandatory communication with the Board as well as the process that his team used with the university to prepare for the audit. Trustees engaged in questions and discussion on items including, but not limited to, the university team's ability to support the audit, and the transition to the next auditor.

Capital Project Approval (Action).

Knight Campus Phase II Project Expenditure Authorization. Bob Guldberg, Vice President and Executive Director of the Knight Campus provided an overview of the Knight Campus and phase 2 of the building project. Guldberg began by describing the status of the Knight campus including the fact that the current space is almost 90% full, the first bioengineering program has been approved, and a head of the engineering program has been hired. Guldberg then described elements of the phase 2 building which includes additional tenure track faculty, and expanded enrollment in the PhD, applied masters, and bioengineering programs. Next, he highlighted building 2 programming priorities including laboratory floors to house 15-17 experimental groups, space for computational science to house the biomedical data science center, 4-5 shared equipment core facilities, advanced bioengineering and applied science training spaces, leasable spaces for translating discoveries into real world impact, and convening spaces to support collaborative research activities and events. Darin Dehle, Director of Design and Construction described building 2 project status including challenges driven by inflation that have led to value-engineering decisions made to meet budget. Guldberg then described the financial plan for building 2, noting the project will be wholly funded through Knight Campus funds with construction starting in spring of 2023 and the intent to occupy the building by winter of 2025. Trustees engaged in questions and discussions on items including, but not limited to, how operational costs will be managed, the speed at which Knight Campus has been able to hire and expand its work, the role the space plays in attracting faculty and students, and the impact the new building will have on the urban farm.

ACTION: The resolution to approve a budget authorization, not to exceed \$300 million, on Knight Campus phase II construction was moved by Trustee Boyle and seconded by Trustee Moses. It passed by a voice vote without dissent.

Thermal Storage Tank Authorization. Michael Harwood, Associate Vice President and University Architect, provided an overview of the chilled water thermal storage tank project which was approved by the Board at an estimated cost of \$8.5 million but has seen cost increases of \$3.3 million. Trustees engaged in

questions and discussion on the ability of the new thermal tank to provide capacity as campus grows (e.g., Knight Campus building 2) and where the resources will come from to cover the increased project costs.

ACTION: The resolution to approve the increase in budget authorization by \$3.3 million for the thermal storage tank project was moved by Trustee Aaron and seconded by Trustee Evans Jackman. It passed by a voice vote without dissent.

Portland Campus Capital Planning Authorization. Michael Harwood, Associate Vice President and University Architect, reviewed the request for resources to advance planning and initial work on preparing the new campus in northeast Portland for staff and students to move in fall of 2023 and fall of 2024.

ACTION: The resolution to approve the budget authorization of \$10 million on expenditures relating to planning, design, and purchase of equipment and materials was moved by Trustee Evans Jackman and seconded by Trustee Aaron. It passed by a voice vote without dissent.

Annual Capital Planning Report and Forecast. Michael Harwood, Associate Vice President and Campus Architect, provided the annual update to the ten-year capital plan. He began by reviewing current project escalation costs, noting the university is seeing higher cost escalation in Eugene than the industry figures quoted. Next Harwood reviewed the current project dashboard noting areas where projects are seeing challenges, primarily regarding budget and schedule, largely due to market dynamics. Harwood walked the Board through the capital plan decision criteria which includes supporting the institutional mission, priorities, and research focus areas, and is informed by building conditions, infrastructure assessment, and space needs analysis. He then walked through several recently completed or under construction projects including the Zebrafish expansion, Housing Transformation Project phase 2, Huestis Hall, and the chilled water tank, and then planned projects for academic units, housing, and other uses. Harwood reviewed deferred maintenance projects noting a 2022 backlog identified at \$413 million but has since seen a reduction of \$18 million with specific reduction efforts. Trustees engaged in questions and discussion on items relating to, but not limited to, where contractors for university projects are drawn from and plans to improve the area of 13th Avenue and University Street.

Climate Action Plan: Thermal System Study. Jamie Moffitt, Senior Vice President for Finance and Administration and CFO, provided an overview of the thermal systems task force. Steve Mital, Sustainability Director, reviewed the university's climate action plan, beginning by discussing the climate action plan approved in 2010, which set the goal to reduce energy consumption in all new buildings and to offset all new energy use through efficiency improvements in existing buildings. Mital then reviewed the current climate action plan which runs through 2024 and set in place several initiatives including: monitoring of annual emissions, several conservation and efficiency projects, as well as studies and analyses which can be reviewed in the Board materials. Next, Mital reviewed recent energy emissions associated with university operations. Brian Fox, Associate Vice President for Budget, Financial Analysis, and Data Analytics reviewed the university's thermal systems study, one of the analysis projects identified as a part of the Climate Action Plan, in which an external consultant was engaged to identify and analyze carbon reduction strategies for the campus district heating system. The consultant identified dozens of options deemed potentially viable. Fox described the task force that has been launched to perform greater due diligence on these potential options to address university emissions relating to its thermal heating system, noting the task force intends to provide recommendations at the end of calendar year 2022 to university leadership. Mital then reviewed efforts by peer universities on how they are approaching the possibility of changes to their heating systems in order to reduce emissions.

Trustees engaged in questions and discussion on items including, but not limited to, the costs associated with implementing energy efficiency standards and the certification of power provided by the Eugene Water and Electric Board.

Tykeson Lawn Naming. Patrick Phillips, Interim President and Professor, Biology, introduced the request to name a new outdoor lawn space outside of Tykeson Hall the McCaslin lawn in honor of Michael and Libby McCaslin's generous support to the university and effort to create a space for students, faculty, and staff to gather. Chris Poulsen, Dean, College of Arts and Sciences, then described in detail the space to be named after the McCaslins. Poulsen then introduced himself to the Board, providing an overview of his background as an academic and academic administrator.

ACTION: The resolution to approve the naming of the lawn west of Tykeson Hall the McCaslin Lawn was moved by Trustee Evans Jackman and seconded by Trustee Aaron. It passed by a voice vote without dissent.

Meeting Adjourned at 11:59 a.m.