

Committee Membership

Marcia Aaron	Present	Joe Gonyea	Present
Peter Bragdon	Present	Jimmy Murray	Present
Andrew Colas	Present	Michael Schill	Present
Ross Kari, Chair	Present		

The Finance and Facilities Committee (FFC) of the Board of Trustees of the University of Oregon (Board) met at LCB's Portland location (Naito Building) on September 6, 2019. Below is a summary of committee discussions and actions. An audio recording is maintained on file.

Convening and Approval of Minutes. FFC Chair Ross Kari called the meeting to order at 8:31 a.m. A quorum was verified. The committee approved the minutes from the May 2019 meeting without amendment.

Quarterly Financial Reports. Jamie Moffitt, vice president for finance and administration and CFO, provided trustees with the quarterly financial report, which looked at the closing quarter and fiscal year-end figures for 2018-2019. Moffitt noted that projections from Q3 held fairly stable by the end of Q4, particularly noting that the \$10.7 million deficit projected in Q3 ended up being \$11.5 million by fiscal year (FY) end. While Q3 to Q4 estimates remained fairly stable, she did note in her key takeaways that some categories of expense and revenue did see relatively significant variations from beginning of year estimates. Kari asked Moffitt about whether the ending fund balance is a concern relative to rating agencies; Moffitt noted that the UO's balance sheet is indeed a concern for rating agencies and that she and her team discuss this with the agencies during regular reviews. Moffitt then turned to the quarterly treasury report, noting that there is not much new to report from prior quarters in regards to assets; activity and balances have remained stable. She forecasted for trustees that the Housing Transformation project before them at this meeting would require additional bond issuances, for which she would seek authorization of the first one at a future meeting, likely December. Thus, this would increase the debt service obligations in the summary information provided on the treasury dashboard. Moffitt provided trustees with an update on the search for a new treasury director, noting that she hopes to have a new director selected and in place before the committee's December meeting. Kari asked Moffitt to further explain the salaries and wages expense line item in her quarterly report, specifically requesting a breakdown of the 5% year-over-year increase between rate and headcount. Moffitt explained that it is a combination of both factors: there were increases of approximately 3.3% to 3.4% on rate overall, and the remainder is due to additional headcount, which was rooted in ongoing net increases to tenure-track faculty hiring, bringing the Knight Campus online, and some general increases that usually occur on the administrative side given additional programming, initiatives, and regular needs.

FY20 Expenditure Authorization. Kari reminded trustees that the Board approved a temporary FY20 budget and expenditure authorization in May 2019 because too many variables were yet unknown at that time. The largest of these, the state's appropriation, is now settled and thus a final budget and expenditure authorization is before the committee and Board for consideration. Moffitt walked trustees through the topline FY20 expenses and revenue estimates provided in the meeting materials. She broke down the anticipated 3.7% increase in education and general (E&G) fund expenditures year-over-year,

which is driven largely by an anticipated 4% increase in salaries and wages. She did note that this figure would have been higher but for the budget reduction efforts put in place by the president in anticipation of the anticipated E&G deficit. She then walked through the revenue lines, articulating the rationale for various increases or decreases year-over-year. She pointed out that revenue is anticipated to go up by a higher percentage than expenses year-over-year, which is necessary to close the anticipated budget gap. That gap is estimated at approximately \$6.8 million for FY20, which is in part due to the fact that certain budget reduction strategies take multiple years to fully implement. Moffitt then turned to the proposed FY20 capital expenditures request, which is \$232.5 million. She noted that the bulk of this (\$147.5 million) is the completion of the Knight Campus and the associated parking garage.

Action: The resolution was moved by Trustee Aaron and seconded by Trustee Bragdon; it was approved by voice vote without dissent.

Black Cultural Center Naming Opportunity. Kevin Marbury, vice president for Student Life, provided an update on the black cultural center (BCC), including the search for the director, the construction timeline and art installations, operating funds, and the opening planned for October 12. He then provided an overview of the process to establish a recommendation for an eponym for the BCC. The committee formed by the president received 21 nominations, which they discussed and vetted and ultimately narrowed the list down to recommendations for the president. In turn, the president solicited public comment on these recommendations. Marbury explained that this entire process led to overwhelming support for naming the center after Lyllye Reynolds-Parker, a woman who proved instrumental for many young people who came through the UO and who embodies everything for which the BCC stands. President Schill noted that Ms. Reynolds-Parker is someone who not only came from the community, but who served students as an advisor. Both Marbury and Schill noted that Ms. Reynolds-Parker is still with us, and thus this recommendation goes against the preference in UO policy for posthumous naming; but both noted that this is wholly appropriate in this situation.

Action: The resolution was moved by Trustee Aaron and seconded by Trustee Bragdon; it was approved by voice vote without dissent.

Housing Transformation Project. Roger Thompson, vice president for student services and enrollment management, and Michael Griffel, assistant vice president and director of University Housing, provided an update on the overall “Housing Transformation Project”, which involves multiple buildings and a green space on Agate Street near 15th avenue. Thompson noted that this is a key investment for the UO—a major investment in updating residence halls and preparing the institution for future growth and student demand. Griffel noted that this project is meant to support and keep up with anticipated growth and needs of future students. The project will replace Hamilton and Walton Halls with three new buildings: one new building on “Humpy Lumpy,” two new buildings on the Walton site, and a new green space on the current Hamilton site. He noted that one of the buildings will also include a prospective student/visitor center. The total transformation project will be \$218-225 million and it will be done in two phases. The resolution before the committee today is for Phase 1, which includes the new hall (on Humpy Lumpy) and design and initial scoping/engineering for Phase 2 (the remainder). Phase 1 is estimated to cost \$101 million. Griffel provided an overview of the project’s funding sources, which include an internal bank loan. Moffitt noted that this loan does not use E&G funds; rather, the project will be paid for with auxiliary revenue through University Housing. The cash for the underlying loan would be generated through revenue bonds, the first debt issuance which Moffitt intends to bring to the board for consideration in December 2019. Trustees engaged in Q&A and discussion on a number of issues including, but not limited to: city permitting, Agate Street, total beds available following the project, the decision to rebuild versus

renovate, managing the project internally versus using a third party, pricing for housing stock following these projects, the total amount of debt the UO will have after issuing bonds for this effort, the relative importance of this project versus other possible projects that may require debt in the future, and how rating agencies view housing projects relative to other kinds of debt.

Action: The resolution was moved by Trustee Gonyea and seconded by Trustee Bragdon; it was approved by voice vote without dissent. (Trustee Colas declared a potential conflict of interest.)

Acoustics Research Laboratory. Architecture professors Kevin Van Den Wymelenberg and Judith Sheine presented to trustees on behalf of various programs and faculty associated with the Institute for Health in the Built Environment, the TallWood Design Institute, and other initiatives that conduct research in building practices and materials. The project was borne out of recognition that the State of Oregon needed a home for research, particularly relating to acoustic issues, that supports the growth of mass timber as a sustainable and affordable building material. The Oregon Acoustics Research Laboratory (OARL), a name which may change as the project develops, is planned to be off campus given both land availability on campus and the nature of the work that would be done at the site. Van Den Wymelenberg discussed the various types of research that would take place in the building by UO faculty, other academic institutions, and industry. He noted that the costs of the facility would be offset by industry testing, which would be conducted on a fee-based model. He noted that no other university in North America has a facility like this, and that there are no commercially viable labs of this type west of the Mississippi. Van Den Wymelenberg talked about external funding already received, both for research that would take place at the lab and for the building's development. He and Sheine also discussed the educational opportunities and the partnership with Oregon State University. They walked through the financial projections for the project, which have been reviewed by the UO's internal bank advisory group and are conservative estimates for usage, staffing, and pricing models. Trustees engaged in Q&A and discussion on topics such as, but not limited to: which unit on campus bears the liability if revenues fall short of break-even expense needs, what happens to funds generated in excess of costs, whether it will be designated as a "core facility" as some other research service centers, opportunities for expansion for other types of research, the long-term demand for such testing, the site for this project, and project costs (the delta in the range largely driven by the unknown about final siting and costs), the relationship of the research to permitting and industry standards, the need for the United States to modernize and get up to speed with what has been happening in Europe for decades, UO's partnership with OSU, the reputation of UO and the TallWood Design Institute across North America, and the importance of sound and acoustics testing to construction costs and the positive implications of this research on affordable housing.

Action: The resolution was moved by Trustee Bragdon and seconded by Trustee Murray; it was approved by voice vote without dissent. (Trustees Colas and Ford declared a potential conflict of interest.)

Annual Retirement Plan Report. Moffitt provided trustees with the annual report on the university's management of the Oregon Public University Retirement Plans (OPURP) program. OPURP includes retirement plans which are not managed by the state (i.e., PERS, OPSRP) and which are available to employees at the seven public universities in Oregon. The UO manages the program in a shared service model for all of the institutions. Moffitt reiterated the management structure in place for OPURP, including advisory groups and committees and reporting obligations. She provided a brief recap of the plans administered by OPURP, the primary two being the optional retirement plan (ORP) and the tax-deferred 403(b) plan. There are also a few remaining legacy plans. Moffitt recapped the administrative changes made since the UO assumed management; these changes were designed to improve service, lower costs to participants, and mitigate risks. It was clarified that OPURP does not manage any defined

benefit plans, only defined contribution plans. Trustees engaged in Q&A and discussion relating to investment advising, performance management, growth in participation, how other universities contribute to the management and administrative costs for this shared service, whether liability is shared with other universities (it is), and participation agreements between the institutions.

Adjournment. The meeting adjourned at 10:05 a.m.