


## Memo

**To:** Dr. Chris Maples, University President

**From:** Fiscal Operations Advisory Council (FOAC); David Thaumert, PhD, PE, chair 

**cc:** Board of Trustees, Finance & Facilities Subcommittee

**Date:** 22 January 2016

**Re:** Soccer Facility Proposal

---

FOAC met on Thursday, 21 January 2016, to review the soccer facility proposal, in response to your statement (made in the Tuesday, 19 January 2016, open forum on the same project) that such a proposal would be presented to FOAC twice before the Board of Trustees meeting in later February. Mike Schell, Oregon Tech Athletic Director, attended FOAC's meeting to further present the project and answer questions of council members. While the discussions were informative, no detailed review was conducted or concrete feedback provided on the proposed soccer facility as no supporting proposal documents were provided to FOAC. It should be noted that FOAC is fully supportive of the intent of the proposed soccer facility—to build campus life, bolster athletic programs, and further enhance the university's reputation. However, as that body charged to advise the University President on budget and financial matters, recommend fiscal management priorities to align with the university's strategic goals, and advise on the development of new budget initiatives and allocations, FOAC has significant concerns about project implementation.

In the absence of financial particulars, FOAC's deliberations focused on project process and necessary documentation to support a prudent fiscal evaluation. Specific questions or concerns include the following:

- A soccer project, in some form, has been in progress since at least Summer 2014, yet FOAC has not yet seen any written *pro forma*, let alone one that is consistent and complete. Potential debt repayment sources indicated since 2014 have included student athletic incidental fees, fundraising, or the university's general fund, but these sources continue to change in project discussions. Such *pro forma* should have already been evaluated by campus entities such as FOAC well in advance of presentation to the Board of Trustees and its subcommittees.
- Even if the project implementation is phased over several years, the project proposal should account for full initial development of the field, fencing, seating, lighting, and any other appurtenant components. The proposal should also include a reasonable cash flow analysis for the duration of the bonding period, addressing debt repayment, periodic maintenance,

escrow for periodic turf replacement, utility expense (if any), external cost avoidance (i.e., Steen Sports Park contract), and anticipated revenues from advertising support or camps.

- Estimates of the artificial turf longevity have not been consistent nor comprehensive. According to Mr. Schell, the most recent indication of material life span is exceeding 15 years, based on a public park facility in the Portland area. Given the elevation and number of clear days in Klamath Falls, greater intensity and duration of ultraviolet light exposure is expected, typically leading to shortened material life, and thus leading to accelerated replacement expense. The project proposal should address this concern either by more similar project comparison or substantiated manufacturer's literature.
- While FOAC does not exist to evaluate competing project proposals, opportunity costs should be considered in the context of the soccer facility proposal. Are there other university projects that meet the specific criteria (intent, timing, lifespan) of the 2014 bond issue? How do those other projects compare to the soccer facility proposal to support the university's strategic goals? Essentially, is this project the highest and best use of university funds? As current budgets are already nudging up the university's debt percentage toward the 7% cap, and the location where shared debt is carried (such as Q bonds issued on behalf of the university but paid by the state) is currently uncertain, the sense of FOAC is that the institution needs to be circumspect about how and when our remaining debt opportunities are incurred.
- While not a focus point of this meeting, the planning, vetting, and timing of the Athletics Department's new bus purchase are also called into question. FOAC is concerned again by the pattern of a potentially-incomplete proposals, revenue allocation, and debt usage to also support this athletic component.
- The university's financial staff also need timely and complete information on this proposed project, such that analysis and projections related to cash flow and debt burden can be completed. Just as FOAC needs to review and evaluate the project's financial proposal, FOAC also needs to review and evaluate the university's financial context.

FOAC has requested the soccer facility financial *pro forma* from the Athletics Department—and subsequent update of the financial model from Finance & Administration staff—before our continued discussion of this project on 28 January. At that time, we plan to complete our review based on more complete information and then provide more-substantiated advice to your office.



## Sandra Fox

---

**From:** Adria Paschal  
**Sent:** Friday, January 29, 2016 10:04 AM  
**To:** Sandra Fox  
**Subject:** FW: Open Forum Soccer Project

Adria Paschal  
Executive Assistant to the President  
Oregon Institute of Technology  
Phone: 541.885.1103 | Email: [adria.paschal@oit.edu](mailto:adria.paschal@oit.edu)

---

**From:** Andre, Eric [<mailto:Eric.Andre@nike.com>]  
**Sent:** Friday, January 29, 2016 9:55 AM  
**To:** Adria Paschal  
**Cc:** Chris Maples  
**Subject:** Open Forum Soccer Project

Adria ,

I wanted to weigh in on the soccer project being discussed. I am not informed on the details but what I do know is that if soccer moves back onto campus Rugby will be left in the cold. It was a huge influence on my experience at OIT the program was amazing you have an incredible resource with Kevin Brown as a coach on staff. He was one of the best instructors I had in the sport and I have been playing for over 10 years. We created a fun environment with the team and Rugby has always supported other athletics even when we were only recognized as a club.

Secondly I wouldn't have gotten my current job without Rugby in my life, because of my experience with Team Athletics and my knowledge of cleats I am now the lead analyst for Cleated footwear supporting the NFL and MLB for Nike. I would hate to see this taken away and have students lose out on an opportunity that I was able to enjoy.

Please feel free to reach out to me if you have any additional questions, I wish I could be there in person but I at least wanted to say something before a decision had been made.

Cheers!

## **ERIC ANDRE**

---

Footwear Test Analyst  
II – NFL/MLB  
NIKE Inc.

Email:  
[eric.andre@nike.com](mailto:eric.andre@nike.com)  
Work: 503.671.5842  
Cell: 971.250.1152



January 29, 2016

Dear Oregon Tech Board of Trustees:

We are respectfully writing on behalf of Faculty Senate Executive Committee to express our concerns surrounding the Soccer Proposal at a reported cost of just over 2 million dollars, much of which will be paid over the course of two decades.

A major concern on campus is financial stability and our present state of deteriorating facilities. We cannot emphasize more strongly the need to make reasonable and sound decisions that will have long term implications.

We are confident that thoughtful and appropriate planning can be engaged in respects to our institution's operation and purpose.

Sincerely,

Faculty Senate Executive Committee

# Memo

**To:** Dr. Chris Maples, University President

**From:** Fiscal Operations Advisory Council (FOAC); David Thaemert, PhD, PE, chair

**cc:** Board of Trustees, Finance & Facilities Subcommittee

**Date:** 1 February 2016

**Re:** Soccer Facility Proposal—Further Consideration



---

FOAC met again on Thursday, 28 January 2016, to review the soccer facility proposal, continuing in response to your statement (made in the Tuesday, 19 January 2016, open forum on the same project) that such a proposal would be presented to FOAC twice before the Board of Trustees meeting in later February. Mike Schell, Oregon Tech Athletic Director, attended FOAC's meeting to further present the project—specifically the requested *pro forma* for the project—and answer ongoing questions of council members. While the discussions continued to be informative, no detailed review could again be conducted as the *pro forma* was provided to FOAC during the meeting, rather than with any lead time.

FOAC continues to have significant concerns about project implementation. Specific questions or concerns stemming from the provided document include the following:

- A soccer project, in some form, has been in progress since at least Summer 2014, yet the provided *pro forma* was prepared only hours in advance of this meeting. This method of barely-in-time fiscal analysis does not bode well for accuracy of the supporting figures or successful future project management.
- The provided spreadsheet includes obvious errors, such as no expenses incurred for team camps when such camps are offered in future years. A more detailed quality control review should be conducted of the computational model.
- Revenue projections appear to be very optimistic. While contingency is considered for project construction expense, it may also be wise to consider contingency (or negative variance) related to revenue projections.
- A savings or expenditure avoidance is, of itself, not revenue. To reflect the redirection of other revenues that were previously used to pay for the Steens contract, those should be shown from their source (such as advertising revenues or ticket sales, for example) and not the prior Steens expense that such revenues covered.

- The financial forecasts generally indicate a net zero effect of revenues balancing expenses, exclusive of debt service, thus indicating the likely need for funding sources external to the Athletics Department to repay the incurred debt.
- The proposal indicates plans to use funds from other athletic programs as a partial source of debt service revenue, encouraging those programs to make up any shortfall by their own fundraising efforts. FOAC is concerned that this approach—both the funding reductions and the resulting competing fundraising efforts—could adversely affect the health of all the athletic programs. As a university auxiliary, should Athletics fall short, then other university auxiliaries (i.e., housing, College Union, parking) would have to make up such shortfalls.
- FOAC has noted the significant subsidy increases in general fund support to the Athletic Department during the past five years (whether in the form of cash transfer or fee remission). FOAC strongly recommends that no additional funds—over and above current levels—should be allocated from the university general fund to athletic support.

Given the quality of information provided and now-shortened timeline for response, FOAC has not come to consensus on this proposed soccer facility. Several council members recognize the time-sensitive opportunity associated with this particular bond sale to underpin construction, while others note that a demonstrated record of fund-raising success, comparable to that fund-raising effort being relied upon in the *pro forma*, would provide a greater measure of confidence in the Athletic Department's and institution's ability to succeed with this endeavor. Given these constraints of sound financial modeling and demonstrated fund-raising success, FOAC cannot yet endorse the soccer facility project.