
**Finance and Facilities Committee
also Sitting as the Audit Committee
MINUTES**

Trustees Present:

Vince Jones, Committee Chair (remote)	Jessica Gomez, Board Chair (remote)	Mike Starr
	Nagi Naganathan, President	Michele Vitali (remote)

Trustees Not Present:

Paul Stewart

University Faculty and Staff Present in person

Abdy Afjeh, Vice Provost-Research & Academic Affairs
Thomas Cooper, Information Technology Consultant 2
Erin Foley, Vice President & Dean of Students
David Groff, General Counsel & Interim Board Secretary
Pam Grove, Assistant to University General Counsel & Interim Board Secretary
John Harman, Vice President Finance & Administration
Tom Keyser, Dean College of Engineering, Technology & Management
Billy Kimmel, ASOIT Officer, Portland-Metro
Kelsey McCauley, Government Relations
Travis Miller, Information Technology Consultant 2
Joanna Mott, Provost & VP of Academic Affairs
Adria Paschal, Senior Executive Assistant to the President
Dan Peterson, Dean College of Health, Arts & Sciences
Bryan Wada, Information Technology Consultant 2
Jack Zoucha, ASOIT President, Portland-Metro

Others Present:

None

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

Chair Jones called the meeting to order at 8:14am. The Board Secretary called roll and a quorum was declared.

2. Consent Agenda

2.1 Approve Minutes of the January 27, 2022 Meeting

No changes voiced. Minutes approved as submitted.

3. Reports

3.1 Finance, Facilities Quarterly Update: 3rd Quarter FY 2021-22

VP Harman reviewed the quarterly report, which addressed the FY 2022 budget performance, revenue and enrollment indicators, facilities and a capital projects update, equipment and invested funds, as well as external and internal audit coordination.

3.2 FY 2021-22 Internal Audit Update

Trever Campbell, Hailey Lyons, and Claire Pahlmeyer of **KernuttStokes** (KS) reported the Sponsored Programs and Grants Administration audit has been completed, as well as the bi-annual Hotline Report. The capital projects management and Title IX audits are currently under way with an anticipated completion at the end of fiscal year 2022. The Procurement and Contracting audit are on hold, with a tentative plan to begin May 2022. The Fixed Assets & Inventory audit is currently on hold due to staffing constraints. KS reported the Fraud, Waste & Abuse Ethics Hotline has received no reports since the January 27, 2022 board meeting.

4. Action Items

4.1 Approve FY 2021-22 External Audit

Jean Bushong of CliftonLarsonAllen (CLA) reviewed a PowerPoint presentation. She explained the responsibilities of CLA under independent external auditing standards, the scope of CLA's engagements, unique audit issues including COVID-19, HEERF Funding, Financial Edge implementation and implementation of GASB 84, Fiduciary Activities, audit results, and required communications. An unmodified, "clean" opinion was issued, no material weaknesses or significant deficiencies were identified.

Trustee Jessica Gomez moved to accept the Oregon Tech FY 2021-22 External Audit Report. Trustee Michele Vitali seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.2 Approve 2022-2023 Tuition Recommendation to Board

VP Harman reviewed a PowerPoint presentation and discussed the role of the Tuition Recommendation Committee (TRC), which is to analyze the budget as well as legislative, scholarship and programmatic information, and collect feedback on tuition scenarios and options. The TRC acted by consensus and reviewed financial projections, current tuition, and fee rates at other Oregon public universities and competitor institutions outside the state as well as other information and background materials. VP Harman explained that the TRC recommendation is to increase base tuition and fees by 8.0%, contingent upon HECC approval, and if that approval is not forthcoming the increase would be 5.0%. The ASOIT recommendation is to increase base tuition and fees by 5.0%. This is comprised of a 4.6% tuition increase and increasing the health service fees at the Klamath Falls campus

to \$195 from \$172 and at the Portland-Metro campus to increase to \$63 from \$43 for students enrolled for the regular academic year. VP Harman explained that the Presidential recommendation to the Board of Trustees is to increase academic year 2022-23 base tuition and fees by 7.0% contingent upon HECC approval, as set out in the Board materials.

Trustee Mike Starr commented that certain expenses are not controllable in the short term because they are contractual or are state required whether it is pension or health. Starr said it appears everyone is working hard to decrease variable costs. Starr asked what percent increase of tuition would be required to cover increases that are not controllable in the short term.

VP Harman walked through a history of recent budgets dynamics, explaining that Oregon Tech has not fully recovered from prior budget reductions.

Trustee Starr followed up, noting Oregon Tech must go to an organization, HECC, which underfunds the university to get permission to increase tuition to make up for the lack of funding.

VP Harman replied that HECC has put Oregon Tech in a difficult position. The SSCM formula funding revision was a collaborative process, but the numbers changed quite a bit after the revised model was approved by the HECC. Harman said the university is experiencing no growth in funding from the state whereas other schools got a minimum of about \$3 to \$3.5 million more per year. Harman said it is important to have conversations with legislators and with the HECC to restore funding because Oregon Tech is in a disadvantaged position compared to its peers.

Trustee Brown asked what peer institutions might suggest to the HECC, and whether Oregon Tech would be the only institution going to HECC to seek more than 5% increase in tuition.

VP Harman replied Oregon Tech would be the only university seeking more than 5%, and that the university is really pushed into that situation. He said we don't want to increase expenses on our students more than necessary. He said he believes the other schools are happy with the funding formula results.

Trustee Hasty asked whether the HECC could come back with its own recommendation.

VP Harman said when institutions go to the HECC to request increase in tuition and fees above 5%, it depends on the quality of the presentation and the message about financial necessity. He said it also helps if students are there to support the request. He said he did not think ASOIT would support the 7% tuition increase, because it would be too much of a burden on the students. He said he thought the students would agree Oregon Tech needed additional funding from other sources, however. Harman said it is important that the HECC recognize that Oregon Tech has many programs that are STEM-centric and Oregon Tech does not have a lot of other lower cost programs like larger universities do to help offset the increased costs of engineering, healthcare and other technology degree programs.

Trustee Gomez said VP Harman is being very diplomatic, but as the Chair of the Board, she is very unhappy with the formula and decisions that the HECC has made. It's impacting students adversely and this is not something that I wanted to have proposed in the first place. Gomez said Oregon Tech does not have a lot of options and needs to go to the HECC and ask for the funding. Gomez said no one wants to add more burden to students, but unfortunately the university is in a position where we must.

Trustee Jones noted that accepting the President's recommendation of 7% increase, the university would still be looking at about a \$5 million shortfall in the budget. Earlier when VP Harman was giving the report on the quarterly budget he spoke about the \$5.5 million that we received from the state, and the fact that we are looking at about a \$7.1 million positive number in the change of fund balance. VP Harman, how much of that \$7.1 million do you anticipate we can carry over to the next year in order to close that \$5 million gap? Are we are looking at a 7% increase?

VP Harman said the \$5.5 million special item funds Oregon Tech was fortunate to get as the legislature wound down, is for specific programs such as a center of excellence or developing distinctive programs that related to applied computing and our rural health programs. He said Oregon Tech cannot use those dollars to cover a gap in its overall budget, but to achieve those certain initiatives.

Dr. Naganathan said VP Harman is being very diplomatic in terms of presenting the challenge here. As late as March of last year Oregon Tech thought we would get at least \$3 million more than the last biennium until HECC surprised us in late April of last year. Dr. Naganathan said the \$5.5 million is one-time dollars, so he looks at it as more of an angel investment that the university wants to use to increase doing creative things with it. It's simply for supplemental projects only.

Trustee Mike Starr moved to recommend to the Full Board that academic year 2022-23 tuition and fees be set in accordance with the President's Tuition Recommendation Memo (Attachment A to Agenda) as follows:

- **increase academic year 2022-23 base tuition and fees to 7.0% contingent upon HECC approval.**
 - o **The increase is comprised of a 6.6% tuition increase and increasing health service fees at the Klamath Falls campus to \$195 from \$172 and at the Portland-Metro campus to \$63 from \$43 for students enrolled for the regular academic year.**
- **Differential tuition related to Health and Engineering Technology programs shall remain at the current 37% premium on base tuition rates.**
- **Tuition remissions shall continue at approximately 14% of tuition revenue, and an additional \$200,000 shall be targeted for underserved and disadvantaged students.**
- **Incidental fees shall remain unchanged at \$397.50 for the Klamath Falls campus and will increase to \$80 from \$50 at the Portland-Metro campus for student enrolled during the regular academic year.**

- If HECC approval is not forthcoming at the level approved by the Board, the increase shall be the alternate amount approved by the HECC or 5.0%, whichever is larger.

Trustee Jessica Gomez seconded the motion. With all trustees present voting aye, the motion passed unanimously.

4.3 Approve reduction in Scope Student Housing Project

VP Harman reviewed a PowerPoint presentation and discussed the reduced scope and modified bond financing authority for construction of a smaller new student housing facility. He explained that in June of 2021, the Legislature approved \$55 million in bonding authority through Article XI-F bonds for Oregon Tech to construct a student housing facility. A recommendation was made to the Board at the July 15, 2021 meeting to approve a resolution on bond issuance for a new student residence hall. The Board authorized acceptance of the \$55 million in bonding authority at that time. Since that time, construction costs have increased on average between 25-30 percent, which increased original estimated construction costs by an additional \$15-18 million. To maintain the original project scope, Oregon Tech would have to fund the escalation out of existing funds or seek additional bonding authority through the legislature. Neither option is feasible because Oregon Tech cannot commit \$15 million from existing funds and additional bond debt would financially impair the project. As a result of material changes in key assumptions, the new student housing facility as originally envisioned and approved by the Board is no longer financially viable and requires a revision in project scope.

Trustee Mike Starr moved to approve a modification in Oregon Tech's Article XI-F series bond authority from \$55 million to no more than \$35 million to construct a new housing facility with no less than 500 beds on the Klamath Falls campus and to authorize management to use a portion of auxiliary or general reserves (with repayment) in the start-up years if necessary until occupancy reaches 95%.

Trustee Jessica Gomez seconded the motion. With all trustees present voting aye, the motion passed unanimously.

5. Discussion Items - none
6. Other Business/New Business - none
7. Adjournment
Meeting adjourned at 10:34am.

Respectfully submitted,



David P. Groff
University General Counsel & Interim Board Secretary