

**Finance, Facilities & Audit Committee
AGENDA**

1. **Call to Order/Roll/Declaration of a Quorum** (9:30 am) (5 min) *Chair Vince Jones*
2. **Consent Agenda** (9:35 am) (5 min) *Chair Jones*
 - 2.1 **Approve Minutes of the April 8, 2026 meeting**
3. **Reports**
 - 3.1 **Fiscal Operations Advisory Council (FOAC) Report** (9:40 am) (10 min) *Assistant Professor Don DaSaro*
 - 3.2 **FY 2025-26 YTD April Management Report** (9:50 am) (20 min) *Senior Vice President for Finance & Administration, John Harman*
 - 3.3 **Q-3 FY 2025-26 Financial Dashboard** (10:10 am) (10 min) *SVP Harman*
 - 3.4 **Q-3 FY 2025-26 Investments Report** (10:20 am) (10 min) *SVP Harman*
 - 3.5 **Q-4 FY 2025-26 Facilities and Capital Projects Report** (10:30 am) (10 min) *Interim Director of Capital Projects, Thom Darrab*
 - 3.6 **KPMG KPI/Financial Ratios for FYE 2024-25** (10:40 AM) *SVP Harman (written only)*
 - 3.7 **Eide Bailly LLP, Internal Audit Update** (10:40 AM) (15 min) *Eide Bailly, Kristin Diggs*
 - 3.8 **CliftonLarsonAllen LLP, External Audit Update** (10:55) *(written only)*
4. **Action Items**
 - 4.1 **Recommendation for FY 2026-27 All Funds Budget** (10:55 am) (20 min) *SVP Harman*
 - 4.2 **Recommendation for Board Debt Policy Revision** (11:15 am) (20 min) *SVP Harman*
5. **Discussion Items** (11:35 am) (10 min) *Chair Jones*
6. **Other Business/New Business** (11:45 am) (10 min) *Chair Jones*
7. **Adjournment** (11:55 am) *Chair Jones*

All times and discussion lengths are estimated and approximate.

The Chair of the Committee reserves the right to adjust the agenda schedule and the length of agenda items.

2.1

Minutes: April 8, 2026

**Finance and Facilities Committee
MINUTES**

Trustees present:

Vice Chair Vince Jones
Stefan Bird
David Cauble
Dr. Vijay Dhir
Kanth Gopalpur
Mike Starr
President, Dr. Nagi Naganathan (*Ex-Officio*)

Other Trustees present:

Board Chair John Davis
Dr. Johnnie Early
Kim Faks
Aaron Hill
Dr. Mark Neupert

University Faculty, Staff, Students, and Visitors in attendance:

Dr. Abdy Afjeh, Sr. Vice Provost for Research & Graduate Studies
Dr. Neslihan Alp, Dean of College of Engineering, Technology and Management
Diana Angeli, Executive Assistant, Office of the President
Dr. Mandi Clark, Vice President of Student Affairs
Don DaSaro, Assistant Professor & Chair of Fiscal Operations Advisory Council (FOAC)
Kristin Diggs, Eide Bailey, LLP
Alicia Dillon, Assoc. VP for Finance, Business Affairs
Audrey Donovan, Eide Bailey, LLP
Dr. Hesham El-Rewini, Provost and Sr. VP, Academic Affairs and Strategic Enrollment Management
Dr. Ken Fincher, Vice President of University Advancement & Board Secretary
David Groff, Esq, General Counsel
John Harman, Sr. VP, Finance and Administration
Katie Harman Ebner, Strategic Communications Advisor (Acting Board Secretary)

Christine Homack, Eide Bailey, LLP
Gaylyn Maurer, Executive Director, Health and Wellness
Michelle Meyer, Director of Audit and Compliance, Finance and Administration
Mindy Mickelson, Executive Assistant, Research & Academic Affairs
Dana Miller, Director of Facilities and Capital Planning
Anish Nair, Eide Bailey, LLP
Adria Paschal, Senior Executive Assistant, President's Office
Rich McRae, Eide Bailey, LLP
Susan Stephenson, Eide Bailey, LLP
Bryan Wada, Information Technology Specialist
Thomas Cooper, Information Technology Consultant

1. Call to Order/Roll/Declaration of a Quorum *Chair Vince Jones*

Chair Jones called the meeting to order at 8:30 AM. The Acting Board Secretary called the roll of Finance & Facilities Committee Members. A quorum was declared.

2. Consent Agenda *Chair Jones*

2.1 Approve Minutes of the January 21, 2026 meeting

Chair Jones moved for approval of the minutes of the January 21, 2026 Finance & Facilities Committee meeting. No comments or revisions were offered. There were no abstentions or nay votes. The minutes were approved unanimously.G

3. Reports

3.1 Fiscal Operations Advisory Council (FOAC) Report *Assistant Professor Don DaSaro*

Assistant Professor Don DeSaro, Chair of the Fiscal Operations Advisory Council (FOAC), reported that the FOAC met on March 31, 2026, to discuss the FY2025–26 budget, state funding outlook, tuition recommendations, budget balancing, and the economic and cost outlook for the upcoming budget cycle. Key highlights included:

- State Funding and Enrollment: The council noted a 3.5% increase in fall enrollment and received confirmation that state funding for FY2026–27 would not be reduced from 2025 levels, alleviating major concerns about budget shortfalls.
- Reserve Funds: Per President Naganathan’s direction, reserve funds will not be requested to be utilized to balance the FY2026–27 budget, resulting in a proposed balanced budget with a 4% tuition increase.
- Budget Development Process: The tuition recommendation process was professional and effective, led by Sr. VP Harman and team, and increased student understanding and acceptance of fiscal realities.
- Forward Outlook: The FY2026–27 budget environment is expected to be challenging, requiring disciplined expenditures, careful adjustment of strategic initiatives, and limited program growth, with the goal of remaining balanced without reserves for a second consecutive year.

3.2 FY 2025-26 YTD February Management Report *Sr. VP for Finance & Administration, John Harman*

3.3 Q-2 FY 2025-26 Financial Dashboard *Sr. VP Harman*

3.4 Q-2 FY 2025-26 Investments Report *Sr. VP Harman*

Sr. VP John Harman presented the university's financial position through February. Key updates included:

- The university is forecasting a near break-even outcome for FY2025–26, supported by increased tuition revenue driven by higher enrollment and labor spending below budget.
- Non-labor expenses are above budget, particularly in IT and utilities, with structural deficits emerging following the switch to city water and significantly increased IT costs over the past five years due to regulatory requirements and necessary upgrades.
- Capital investments such as geothermal system upgrades and building renovations are intended to reduce long-term costs and address aging infrastructure.
- The university relies on reserves, endowment funds, and, where necessary, external financing to address emergency repairs and deferred maintenance, with a focus on maintaining sufficient working capital and exploring public-private partnerships.
- The investment and endowment report reflected a positive trend, with the decision to stop automatic endowment withdrawals contributing to a significant increase in the endowment balance.
- Faculty recruitment and retention costs are included in the Provost's budget, with flexibility to offer competitive packages; recent efforts have improved faculty hiring and program staffing.

Trustees engaged in discussion regarding structural cost pressures, strategies for managing deferred maintenance, and the importance of maintaining fiscal discipline as strategic initiatives are implemented.

3.5 Q-3 FY 2025-26 Facilities Report *Director of Facilities and Property Management, Dana Miller*

Facilities Director Dana Miller presented updates on major capital projects across the Klamath Falls and Portland-Metro campuses:

- Student Housing Project: Nearing completion with furniture delivery underway and final construction focused on office areas. The facility will provide 511 beds and is scheduled to host external events beginning in June.
- Geothermal Systems Renovation: Approximately halfway complete, with multiple phases addressing heat exchange, distribution piping, wells, building systems modernization, snow melt expansion, and electrical switchboard replacement.
- Booster Station and Utility Upgrades: The campus booster station is fully operational with enhanced fire hydrant performance. Additional utility upgrades are planned to support campus infrastructure reliability.
- Stillwell Stadium Improvements: The project, including a covered structure for the softball field, is in the bidding phase.
- Kip Thomet Memorial Field House: Construction is progressing with structural steel framing completed.

- Portland-Metro Elevator Modernization: Scheduled to begin in June.

Trustees encouraged development of a proactive five-year capital plan to address future infrastructure needs for the aging Klamath Falls campus, in alignment with academic and technological advancements.

3.6 Submission of Semon Hall Capital Funding Request to HECC *Sr. VP Harman*

Sr. VP Harman detailed the recently submitted capital funding request to the Higher Education Coordinating Commission (HECC) for the renovation and expansion of Semon Hall. Key elements included:

- **Project Justification:** Semon Hall, built in 1965 and rated ‘poor’ on the Facilities Condition Index, requires major mechanical, electrical, plumbing, and seismic upgrades, as well as ADA improvements.
- **Scope:** The renovation includes a 13,500 square foot addition to support program growth in dental hygiene, a new dental therapy program, marriage and family therapy, and other academic programs, with active learning labs designed to enhance student engagement and workforce readiness.
- **Cost and Funding Strategy:** Total project cost is estimated at \$54 million, with anticipated funding from state bonds (90%), a university match (5%), and Foundation fundraising efforts. Construction is planned to begin in 2029.
- **State Alignment:** The project aligns with state workforce needs, the Governor’s Prosperity Roadmap, and legislative interest in dental therapy, positioning Oregon Tech as a leader in health education and community service.
- **Next Steps:** The project will be ranked by HECC in summer 2026. Board approval for state bond participation and matching funds will be sought in October, with construction contingent on legislative funding and bond issuance.

3.7 Eide Bailly, LLP- Internal Audit Update *Eide Bailly- Audrey Donovan and/or Kristin Diggs*

Audrey Donovan and Kristin Diggs of Eide Bailly, LLP, presented the internal audit status update. Key items included:

- **Student Financial Assistance Audit:** An external audit finding related to enrollment reporting was addressed through process improvements and cross-departmental coordination. The engagement is now closed.
- **Remissions Process Review:** A review of the remissions awarding and budgeting process is underway, with recommendations expected at the June meeting. This review aims to help the university better manage tuition remissions.
- **Cybersecurity Assessment Progress:** Oregon Tech has implemented 97% of the Center for Internet Security (CIS) v8.1 safeguards, with five remaining high-complexity areas in data protection, secure configuration, and data recovery prioritized for further action.
- **Ongoing Risk Management:** The IT department is responsible for ongoing implementation and monitoring of cybersecurity controls, with recommendations for periodic external reviews and collaboration with peer institutions to address evolving threats.

Sr. VP Harman expressed appreciation for the audit team's continued professionalism and partnership.

4. Action Items

4.1 Recommendation to the Full Board to Approve 2026-27 Tuition and Fees *Sr. VP Harman*

Sr. VP Harman presented the 2026–27 tuition and fees recommendation, developed through an inclusive process with students, faculty, and staff. Key elements of the recommendation included:

- Tuition Increase: A 4% tuition increase is recommended for 2026–27. The Tuition Recommendation Committee analyzed budget scenarios, state funding expectations, and affordability considerations.
- Differential Tuition: No increase proposed.
- Fee Adjustments: A new \$20 student fitness center fee will be assessed at the Portland-Metro campus. Klamath Falls incidental fees will increase by 1%. Portland-Metro incidental fees will increase by 17% as approved by students through the student government process. No increases are proposed for most other mandatory fees.
- Cost of Attendance Impact: The total cost of attendance, including tuition, fees, and housing, is projected to increase by approximately 3–4%. VP Harman committed to preparing a detailed cost-of-attendance summary for the full Board meeting.

4.1.1 Action:

A motion was made by Trustee Dhir to recommend approval of the President's 2026–27 tuition and fees recommendation to the full Board. The motion was seconded by Trustee Cauble. A roll call vote was conducted. The motion carried unanimously.

5. Discussion Items *Chair Jones*

No additional discussion items were raised.

6. Other Business/New Business *Chair Jones*

7. Adjournment at 10:25 AM

There being no further business, the meeting was adjourned.

A recording of the meeting is available on the Oregon Tech website:

<https://www.oit.edu/trustees/meetings-events/recordings>

3.0

Reports Summary

REPORT

Agenda Item No. 3.0

Finance, Facilities and Audit: Quarterly Update

Background

The Quarterly Finance, Facilities and Audit Status Report provides information on major responsibility areas under the Finance and Administration Division of Oregon Tech. The Report generally highlights budget performance, financial and enrollment indicators, facilities, equipment, capital projects and invested funds, as well as internal and external audit coordination. Depending on the timing of the quarterly Board meeting, some data may not yet be available for reporting. The information contained in the Report is used by the Office of the Senior Vice President of Finance and Administration to track progress toward achieving the institution's financial and operational goals.

The report is shared with the Finance, Facilities and Audit Committee on a quarterly basis to provide information essential in supporting the Board's governance and fiduciary responsibilities.

Staff Recommendation

No action required. For information and discussion purposes only.

Reports/Attachments

Due to the timing of the June 2026 Board meeting and the related document submission deadline, some financial data through the end of the fourth quarter (June 2026) is not yet available. Finance, Facilities and Audit Status Reports include the following Attachments:

- 3.1- Fiscal Operations Advisory Council (FOAC) Report- *verbal*
- 3.2- FY 2025-26 YTD April Management Report
- 3.3- Q-3 FY 2025-26 Financial Dashboard
- 3.4- Q-3 FY 2025-26 Investments Report
- 3.5- Q-4 FY 2025-26 Facilities and Capital Projects Report
- 3.6- KPMG KPI/Financial Ratios for FYE 2024-25- *Written*
- 3.7- Eide Bailly, LLP- Internal Audit Report
- 3.8- CliftonLarsonAllen LLP- External Audit Update- *Written*

3.1

FOAC Report

FOAC PRESENTATION TO BOT-FINANCE AND FACILITY COMMITTEE

FISCAL YEAR 2025–2026

EXECUTIVE SUMMARY

Fiscal Year 2025–2026 was a tumultuous financial year for all seven of Oregon’s public universities, marked by statewide budget uncertainty, disciplined financial management, and strategic planning amid shifting fiscal conditions.

Within that challenging statewide environment, Oregon Tech navigated potential funding reductions with foresight, maintaining fiscal stability and achieving a balanced budget without drawing on reserves for the second consecutive year. However, additional financial data through June will be necessary to know for sure.

KEY FISCAL AND OPERATIONAL HIGHLIGHTS

QUARTER	MAJOR THEMES	OUTCOMES
October 2025	State announced an \$800 million deficit; agencies asked to plan for 5 % cuts.	Oregon Tech projected a \$578 K surplus for FY 2025, demonstrating prudent management.
January 2026	Continued uncertainty in state revenues; contingency planning initiated.	Enrollment up 3.5 % (excluding dual enrollment); credit hours up to 1%. Council explored new revenue streams through graduate programs and condensed online terms.
April 2026	State confirmed no funding reductions for FY 2026–27.	Tuition recommendation set at 4 %, developed through four student meetings fostering transparency and acceptance. Reserve funds preserved; balanced budget achieved.
May 2026	Strategic Investment Requests for FY 2027 reviewed and ranked.	Priorities shared with senior leadership; salary recapture strategy introduced for monitoring throughout FY 2027.

FOAC COMMITTEE INSIGHTS

The Finance Operations Advisory Committee (FOAC) reinforced the institution's commitment to fiscal discipline and transparency.

- **Balanced Budget:** Achieved without reserve use – for the second year running.
- **Tuition Process:** Maintain the collaborative, data driven, and student inclusive, that provides strengthening trust in fiscal decisions.
- **Strategic Focus:** Maintain expenditure discipline, align divisional budgets with program initiatives, and monitor staffing constraints.
- **Outlook:** FY 2026-27 will require patience and careful prioritization, but Oregon Tech remains financially stable and positioned for sustainable growth.

FORWARD-LOOKING RECOMMENDATIONS

- Continue budget discipline and avoid reserve dependency.
- Expand community responsive programs and short-term online offerings to boost enrollment.
- Monitor salary recapture and strategic investment outcomes for FY 2027.
- Maintain transparent communication with students and stakeholders regarding fiscal realities.
- Improve OT competitive position through identifying new revenue streams.
- Offer degree completion programs.
- Add additional graduate programs without adding additional teachers by combining undergraduate courses thus freeing up teachers.

- Offer more online courses with shorter, intensive schedules.
- The MBAI program has been approved by HECH with a target introduction date of September 2027, concept developed by Dr. Nesli Alp, Dean. No additional staff will be required at this time.
- Construction Management BSc program has completed its first year. Initial indications are that 100 students signed up for this program for Fall 2026. How many will actually pay tuition at this time is estimated to be 20 to 30%.

SUMMARY STATEMENT

Despite statewide fiscal pressures, Oregon Tech demonstrated resilience and professionalism in financial governance. Through collaborative planning, prudent budgeting, and strategic foresight, the institution preserved reserves, strengthened enrollment, and positioned itself for continued stability in FY 2026–27.

3.2

FY 2025-26 YTD April
Management Report

FF&A Committee Item 3.2 YTD April

General Fund Monthly Report

FY 2025-26 April (in thousands)

	YTD Comparison		FY 2025-26 Budget & Forecast					Notes
	FY 2024-25 April Actuals	FY 2025-26 April Actuals	FY 2024-25 Year End Actuals	FY 2025-26 Board Adopted Budget (BAB)	FY 2025-26 Adjusted Budget	FY 2025-26 Forecast	Forecast to Budget Variance	
Revenue								
State Appropriations	\$38,160	\$38,345	\$38,160	\$38,573	\$38,573	\$38,329	(\$244)	(1)
Tuition & Fees	41,231	43,515	41,833	43,368	43,368	\$44,015	\$647	(2)
Remissions	(7,975)	(8,706)	(8,031)	(7,907)	(7,907)	(8,756)	(\$849)	
Other	3,497	3,765	4,067	3,912	3,912	4,102	\$190	
Total Revenue	\$74,912	\$76,919	\$76,029	\$77,946	\$77,946	\$77,689	(\$257)	
Expenses								
Administrative Staff Salary	\$8,102	\$9,077	\$9,724	\$11,463	\$11,098	\$10,970	(\$494)	
Faculty Salary	10,272	11,797	12,926	14,660	14,641	14,400	(\$260)	
Adjunct and Admin/Faculty Other Pay	2,621	2,859	3,797	3,338	3,396	3,900	\$562	
Classified	5,745	6,126	6,906	7,313	7,255	7,263	(\$50)	
Student	759	910	1,004	809	847	1,138	\$329	
GTA	84	124	113	121	120	151	\$30	
OPE	14,414	16,323	17,745	20,547	20,399	20,070	(\$477)	
Total Labor Expense	\$41,998	\$47,217	\$52,215	\$58,252	\$57,756	\$57,892	(\$360)	(3)
Service & Supplies	\$14,349	\$14,762	\$17,423	\$16,375	\$17,555	\$17,197	\$823	(4)
Internal Sales	(1,057)	(1,078)	(1,283)	(1,243)	(1,243)	(1,243)	\$ -	
Debt/Investment	1,038	1,309	1,207	1,318	1,318	1,318	\$ -	
Capital	316	121	379	472	451	201	(\$271)	
Utilities	1,527	1,666	1,910	1,292	1,292	2,100	\$808	(5)
Transfers In	-	-	-	-	-	-	\$ -	
Transfers Out	1,017	1,351	1,351	1,481	1,481	1,481	\$ -	
Total Direct Expense	\$17,189	\$18,130	\$20,988	\$19,694	\$20,854	\$21,055	\$1,360	
Total All Expense	\$59,186	\$65,347	\$73,203	\$77,946	\$78,610	\$78,947	\$1,000	
Net from Operations before Other Resources (Uses)	\$15,726	\$11,571	\$2,827	\$ -	(\$664)	(\$1,257)	(\$1,257)	
Other Resources (Uses)								
Transfers In	\$176	\$29	\$802	\$ -	\$690	\$924	\$924	(6)
Transfers Out	(405)	(133)	(3,050)	-	(309)	(309)	(\$309)	(7)
Use of Reserve	-	-	-	-	-	-	\$ -	
Total Other Resources (Uses)	(\$229)	(\$104)	(\$2,249)	\$ -	\$380	\$615	\$615	
Total from Operations and Other Resources (Uses)	\$15,497	\$11,467	\$578	\$ -	(\$284)	(\$642)	(\$642)	
Beginning Fund Balance	\$14,789	\$15,388	\$14,789	\$15,388	\$15,388	\$15,388		
Fund Balance Adjustment	-	-	21	-	-	-		
Ending Fund Balance	\$30,286	\$26,855	\$15,388	\$15,388	\$15,104	\$14,745	(\$642)	
Fund Balance as % Operating Revenues	40.4%	34.9%	20.2%	19.7%	19.4%	19.0%		
Ending Cash Balance	\$30,782	\$27,838	\$18,603					

Notes:

- (1) FY 2025-26 State Appropriation Actuals - The decrease in state appropriations reflects the true-up and ETSF adjustment.
- (2) FY 2025-26 Tuition & Fees Forecast - Reflects a projected 1.5% increase in credit hours over Board Adopted Budget assumptions.
- (3) FY 2025-26 Labor Expense Forecast - Reflects savings from vacant budgeted positions remaining vacant for all or part of the year (primarily administrative and classified staff), related savings in other payroll expenses, and projected increased spending on adjuncts and overload driven by updated CBA WLU rates.
- (4) FY 2025-26 Service & Supplies - Reflects the projected spending of FY2024-25 state appropriation for behavioral health (offset by corresponding transfer in), as well as structural deficit in ITS and increased operational costs across divisions due to rising prices for computer hardware and other expenses.
- (5) FY 2025-26 Utilities Forecast - Reflects growing increased utility costs driven by rate increases (identified structural deficit) and the impact of a detected water leak.
- (6) FY 2025-26 Transfers In Forecast - The increase in transfers in reflects the offset for projected behavioral health expenditures, incentive-related, OREC transfer, and transfer from non-E&G fund to support ITS project expenditures.
- (7) FY 2025-26 Transfers Out Forecast - The increase in transfers out reflects funding for capital expenditures, including Board Room Upgrades, incentive-related transfers, and strategic planning and facilitation contract.

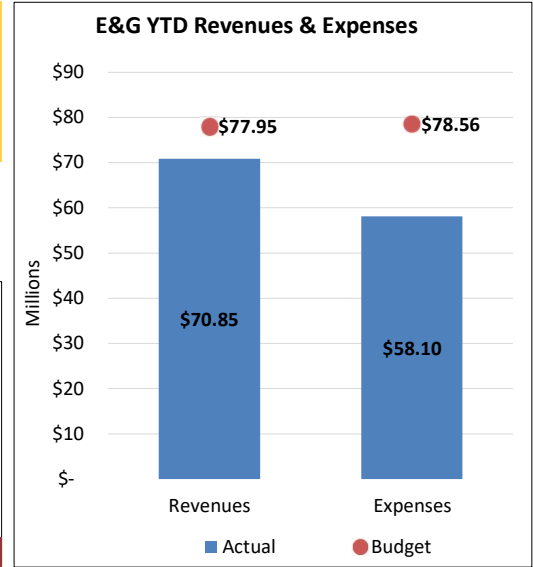
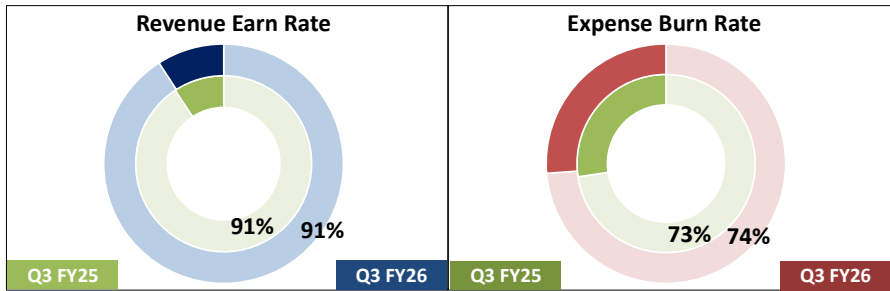
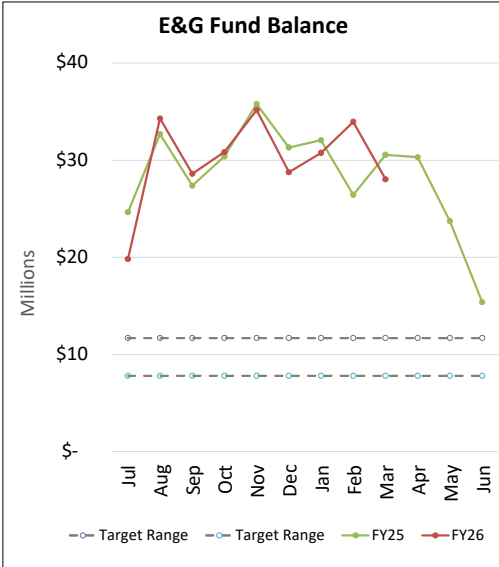
3.3

Q-3 FY 2025-26 Financial Dashboard

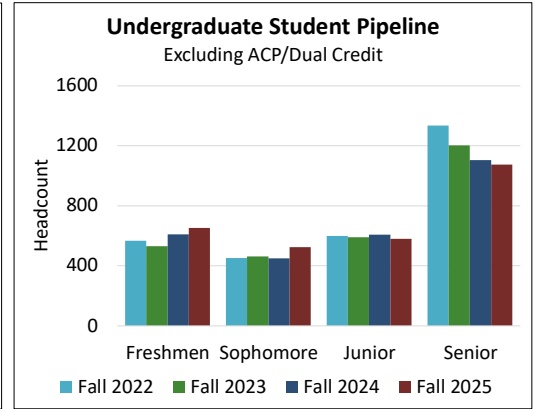
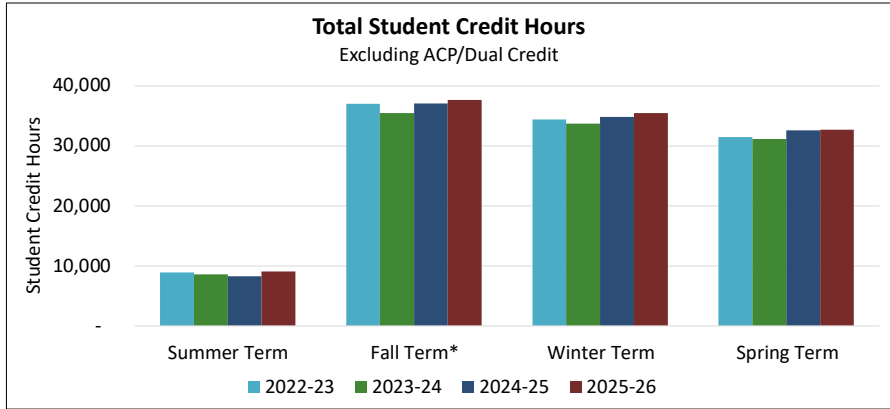
Oregon TECH

Quarterly Financial Dashboard

As of March 31, 2026



Key Financial Indicators		
E&G Fund Balance:	\$28,029	As of Mar. 31, 2026
Debt Burden Ratio*:	6.99%	As of June 30, 2025
Quasi Endowment:	\$7,540	As of Mar. 31, 2026
Foundation Assets:	\$51,724	As of June 30, 2025



Student Tuition			
Undergraduate Tuition			
	2024-25		2025-26
Resident:	\$10,964		\$11,403
Non-Resident:	\$34,900		\$36,296
WUE:	\$16,447		\$17,105
Online:	\$14,490		\$15,075
Differential:	37%		37%

Degree Completions				
	2024-25	2023-24	2022-23	3 Year Δ
Undergraduate				
Resident:	458	477	470	-2.6%
Non-Resident:	185	207	193	-4.1%
Graduate				
Resident:	25	20	17	47.1%
Non-Resident:	20	19	20	0.0%

Graduate Tuition			
	2024-25		2025-26
Resident:	\$20,174		\$20,982
Non-Resident:	\$33,868		\$35,222
Online (MS-AH):	\$16,488		\$17,136
Online (MS-ET):	\$24,012		\$24,984
Resident (DPT):	\$22,831		\$23,744
Non-Resident(DPT):	\$38,327		\$39,860
Differential:	37%		37%

Notes:
 (1) Student tuition rates are shown at 15 credits per term for undergraduates and 12 credits per term for graduates.
 (2) Student Data for Fall 2025, Winter 2026, and Spring 2026 is final 4th week data.

*Debt Burden Ratio includes leases

3.4

Q-3 FY 2025-26 Investments
Report

FY2026 Q3 Investment Report

BACKGROUND

The Oregon Tech (university) investment report for the third quarter (Q3) of FY2026 is presented in the following sections:

- **FY2026 Q3 Oregon Tech Investment Report** – This section includes a report on the investments of the operating and endowment assets of the university. This report reflects the university's operating assets that are invested in short and intermediate-term fixed income funds and the university's endowment assets managed by the Oregon State Treasury.
- **FY2026 Q3 Market Commentary** – This section provides a general discussion of the investment markets and related performance data for the third quarter of FY2026 (i.e., January 1 – March 31, 2026).

FY2026 Q3 OREGON TECH INVESTMENT REPORT

The schedule of Oregon Tech's investments is shown in the investment summary below.

Oregon Tech Operating Assets

The Oregon Short Term Fund (OSTF) increased 1.0% for the quarter, outperforming its benchmark by 20 basis points. The Public University Fund Core Bond Fund (PUF) increased 0.2% for the quarter, exceeding its benchmark by 20 basis points. As of March 31, 2026, OIT had \$25.6 million on deposit in the OSTF and \$20.6 million invested in the PUF.

Relative performance in the PUF was supported by an underweight in corporate bonds as bond spreads widened and bond prices declined (Bloomberg Corporate Bond Index -0.5%) reflecting investor caution due to geopolitical escalations in the Middle East.

Oregon Tech Quasi-Endowment Fund

The Oregon Tech Quasi-Endowment assets rose 0.1% for the quarter. The Oregon Intermediate-Term Pool performance outperformed its benchmark for the quarter by 10 basis points. The Endowment assets were valued at \$7.5 million, as of March 31, 2026.

FF&A Committee Item 3.4 Q-3 Investments

Oregon Tech Investment Summary as of March 31, 2026 (Net of Fees)

	Quarter Ended 3/31/2026	Current Fiscal YTD	Prior Fiscal YTD	3 Yr Avg	5 Yr Avg	10 Yr Avg	Market Value	Actual Asset Allocation ¹
OIT Operating Assets								
Oregon Short - Term Fund	1.0%	3.3%	3.7%	4.7%	3.3%	2.5%	\$ 25,570,700	55.4%
Benchmark - 91 day T-Bill	0.8%	2.9%	3.6%	4.7%	3.3%	2.3%		
PUF Core Bond Fund	0.2%	3.5%	5.0%	4.8%	1.9%	N/A	20,627,207	44.6%
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index ²	0.0%	2.7%	5.0%	4.2%	1.3%	2.0%		
Investment Yield ³	1.0%	3.2%	3.3%	4.4%	3.9%	N/A		
Total Operating Assets							<u>\$ 46,197,907</u>	<u>100.0%</u>
OIT Endowment Assets								
Oregon Intermediate-Term Pool	0.1%	3.3%	4.9%	4.7%	1.9%	N/A	\$ 7,540,038	100.0%
Benchmark - Bloomberg Barclays Intermediate U.S. Gov't./Credit Index ⁴	0.0%	2.7%	5.0%	4.2%	1.3%	1.9%		

¹ University operating asset allocations based upon liquidity needs as determined by rolling 12-month cash flow forecasts.

Operating assets in excess of liquidity requirements are available for investment in the PUF Core Bond Fund and other long-term investments.

² 100% Bloomberg Barclays Intermediate U.S. Gov't./Credit Index as of February 1, 2021. From April 1, 2017 to January 31, 2021, the benchmark was 75% Bloomberg Barclay's Aggregate 3-5 Years Index, 25% Bloomberg Barclay's Aggregate 5-7 Years Index.

³ The reported investment yields for the quarter and fiscal year-to-date represent earned yields for the period and are not annualized rates.

⁴ 100% Bloomberg Barclays Intermediate U.S. Gov't./Credit Index as of January 1, 2021. From June 1, 2015 to December 31, 2020 the benchmark was Bloomberg Barclays 3-5 Year U.S. Aggregate Index.

Note: Outlined returns underperformed their benchmark.

Oregon Short-Term Fund

March 31, 2026

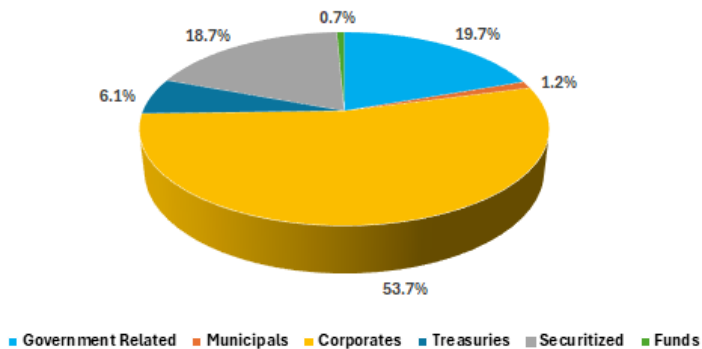
Portfolio Characteristics

Net Asset Value 3/31/2026	\$ 35,191,437,317
Weighted Average Credit Quality	AA
Rate Paid (%)	4.1%
Weighted Average Maturity (days)	62 days
Duration (years)	0.15
Spread Duration (years)	0.84

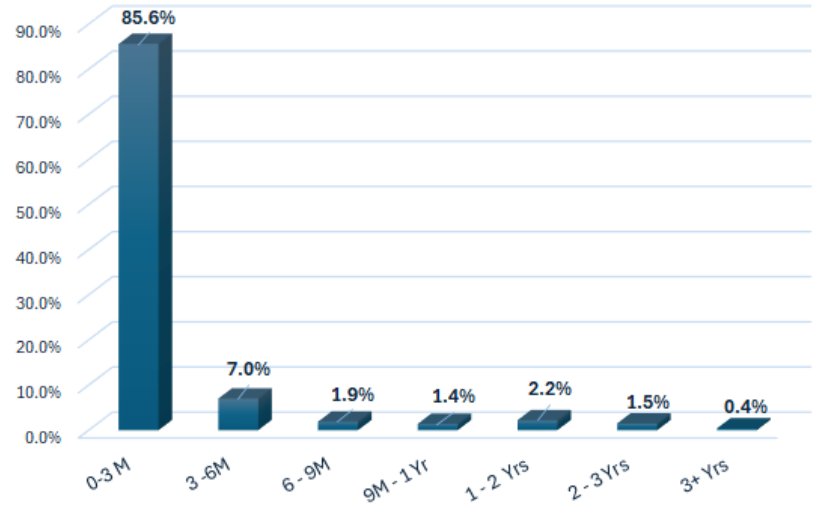
Top 10 Issuers

United States Treasury	6.0%
Federal Farm Credit Banks	5.1%
Canada Pension Plan Investment Board Capital Incorporated	3.4%
Cantor Fitzgerald & Company	2.8%
Bank of America Corporation	2.5%
Federal Home Loan Banks	2.4%
Toyota Motor Credit Corporation	2.2%
Royal Bank of Canada	2.0%
National Rural Utilities Cooperative Finance Corporation	2.0%
JPMorgan Chase & Company	1.9%
Total	30.3%

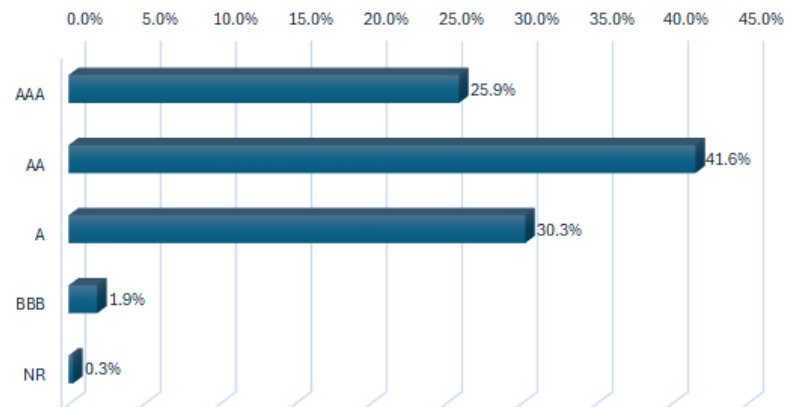
Sector Allocations



Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

Core Bond Fund

March 31, 2026

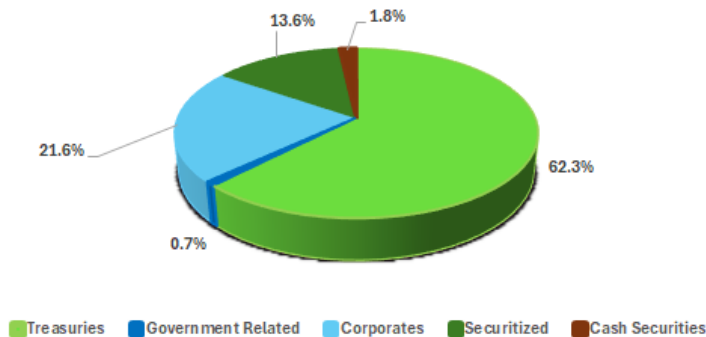
Portfolio Characteristics

Market Value 3/31/2026	\$ 263,413,579
Weighted Average Credit Quality	AA-
Book Yield (%)	4.25%
Weighted Average Maturity (years)	4.48
Duration (years)	3.78
Spread Duration (rate)	1.29

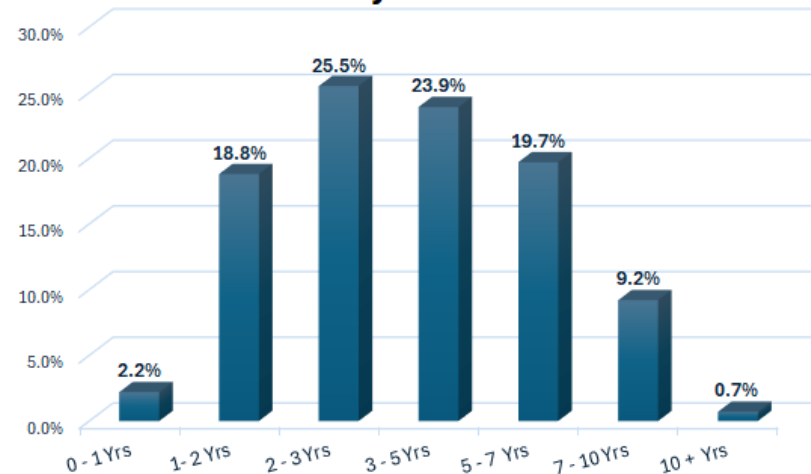
Top 10 Issuers

United States Treasury	62.2%
Oregon State Treasury	5.4%
Wheels Fleet Lease Funding LLC 25-1	3.7%
Federal Home Loan Mortgage Corporation	3.2%
ICON plc	1.8%
Federal National Mortgage Association	1.8%
Rexford Industrial Realty Incorporated	1.5%
American Homes 4 Rent	1.5%
Spirit Airlines Class A Pass Thru Certificate	1.5%
DT Midstream Incorporated	1.3%
Total	83.9%

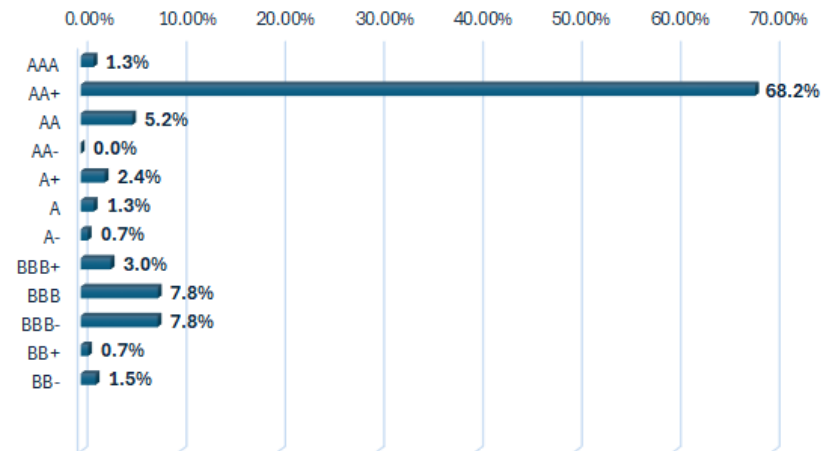
Sector Allocations



Maturity Breakdown



Credit Quality Distribution



Source: Oregon State Treasury

FF&A Committee Item 3.4 Q-3 Investments

FY2026 Q3

MARKET COMMENTARY

(Prepared by Meketa Investment Group, consultants to the Oregon Investment Council)

Report on Investments – as of March 31, 2026

Economic and Market Update

Despite a solid start in January, equities globally declined in the first calendar quarter amid tensions in the Middle East and U.S. technology weakness, while higher energy prices fueled inflation concerns in the bond markets.

- U.S. stocks declined in the first calendar quarter with the S&P 500 slipping -4.3%. Small cap and value stocks outperformed large cap and growth stocks, as skepticism around AI-driven valuation and shifting rate expectations supported a rotation toward more cyclical and defensive areas of the market.
- Non-U.S. equities declined less than U.S. stocks in the first calendar quarter supported by more attractive relative valuations and a rotation out of U.S. technology leadership. Performance was also aided by strength in parts of Asia tied to AI-related hardware demand. Later in the quarter, the Middle East conflict particularly weighed on countries dependent on oil from the region, especially oil that typically passes through the Strait of Hormuz. Non-U.S. developed stocks (Morgan Stanley Capital Indices (MSCI) Europe Australasia Far-East (EAFE)) fell -1.2% in the first calendar quarter.
- Emerging markets (MSCI Emerging Markets) declined slightly by -0.2% in the first calendar quarter. South Korea and Taiwan were among the top performing countries, while China fell on weakness in internet and software stocks.
- Major bond markets were broadly flat for the first calendar quarter in 2026. The U.S. bond market (Bloomberg Aggregate) returned 0.0%. TIPS (Treasury Inflation Protected Securities) rose slightly (+0.3%) driven by increased inflation concerns, while longer-duration Treasuries posted modestly negative returns amid upward pressure on yields.
- Looking ahead, markets will be focused on how geopolitical risks, elevated energy prices, and trade uncertainty feed into inflation expectations and influence the path of monetary policy, growth, and earnings outlooks.

FF&A Committee Item 3.4 Q-3 Investments

Market Returns¹ March 31, 2026

	Month	Quarter	YTD	1-Year	3-Year	5-Year	7-Year	10-Year
S&P 500	-5.0%	-4.3%	-4.3%	17.8%	18.3%	12.1%	14.4%	14.2%
MSCI EAFE-ND	-10.3%	-1.2%	-1.2%	21.3%	13.6%	7.9%	8.9%	8.4%
MSCI EM-ND	-13.1%	-0.2%	-0.2%	29.6%	14.8%	3.7%	6.6%	7.8%
MSCI China-ND	-7.7%	-8.9%	-8.9%	3.8%	6.6%	-4.9%	0.7%	5.1%
Bloomberg US Aggregate	-1.8%	0.0%	0.0%	4.3%	3.6%	0.3%	1.6%	1.7%
Bloomberg US TIPS	-1.3%	0.3%	0.3%	3.0%	3.2%	1.5%	3.1%	2.7%
Bloomberg US Corporate High Yield	-1.2%	-0.5%	-0.5%	7.0%	8.6%	4.2%	5.1%	6.1%
ICE BofAML US 3-Month Treasury Bill	0.3%	0.8%	0.8%	4.0%	4.7%	3.3%	2.7%	2.3%
ICE BofAML 1-3 Year US Treasury	-0.4%	0.3%	0.3%	3.8%	4.0%	1.9%	2.1%	1.8%
ICE BofAML 10+ Year US Treasury	-3.9%	0.0%	0.0%	0.7%	-1.2%	-4.2%	-1.5%	-0.6%

¹Source: Oregon State Treasury

U.S. Equities: The rotation from growth to value that began late last year remained firmly in place throughout the first calendar quarter of 2026, despite broad declines in U.S. equities. The style divergence was evident across market capitalizations, with the Russell 1000 Value Index gaining 2.1% versus a 9.8% decline for the Russell 1000 Growth Index. In small caps, the Russell 2000 Value Index rose 5.0% compared to a 2.8% decline for the Russell 2000 Growth Index, reflecting continued investor preference for lower-valuation, more cyclically exposed segments of the market.

All the “Magnificent Seven” constituents posted negative returns in the first quarter: Microsoft (-23.5%), Meta (-13.0%), Amazon (-9.4%), Alphabet (-8.1%), Apple (-7.3%), Tesla (-6.7%), and Nvidia (-6.5%). This acted as a meaningful headwind to broad market performance given their significant weight in the index.

Energy was the clear standout, gaining 36.1% during the quarter, driven by elevated geopolitical risk and rising energy prices. Basic materials (+13.3%) benefited from higher commodity prices and telecommunications (+10.7%) was helped by wireless carriers posting strong earnings. Technology was the weakest-performing sector, declining 9.7% for the quarter, as continued concerns around AI-related valuations and the sustainability of elevated capital spending weighed on returns. Financials (-8.2%) and consumer discretionary (-6.6%) also lagged.

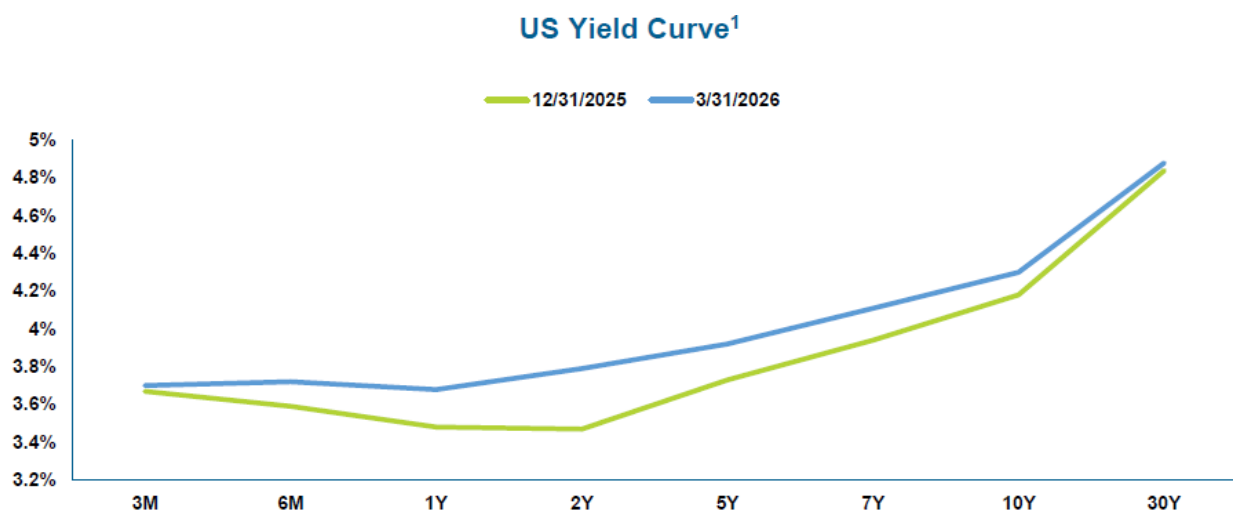
Foreign Equity: Within developed markets, results were mixed. European and U.K. equities benefited at times from relative value appeal and exposure to energy and defensive sectors. Japan was supported by expectations of political stability after the February national elections and continued AI-related hardware demand, though broader risk-off sentiment and concerns related to energy prices weighed on returns by quarter-end.

Emerging markets modestly outperformed developed peers during the quarter, driven by strength in select Asian markets tied to continued semiconductor and hardware demand. China was a notable laggard (-8.9%), as broad-based weakness in tech and consumer stocks and ongoing uncertainty around growth and policy support pressured returns in the first calendar quarter.

FF&A Committee Item 3.4 Q-3 Investments

Cyclically adjusted U.S. equity valuations pulled back from their recent peak driven by weakness in AI-related growth stocks and the conflict in the Middle East. Valuations nevertheless remain well above long-run averages. Non-U.S. developed markets (MSCI EAFE) pulled back modestly in the first calendar quarter, but valuations remain above their long-run average (22.5 versus 19.7). Emerging market valuations also declined slightly in the first calendar quarter but remain above the long-run average (19.0 versus 16.4) though.

Fixed Income: Fixed income returns were mixed during the first calendar quarter of 2026. The Mideast conflict reignited inflation fears, and fixed income markets repriced future rate cut expectations for the year. The broad U.S. bond market (Bloomberg Aggregate) finished the quarter flat, while longer-duration assets and riskier credit segments lagged. Long-term Treasuries were pressured late in the quarter as yields moved higher, resulting in modest losses for the Bloomberg U.S. Long Treasury Index (-0.4%). Inflation-protected securities delivered positive results, with short-term TIPS returning +0.9% while the broader TIPS index rose 0.3%. During the quarter credit-oriented sectors lagged as weaker risk sentiment and rate volatility weighed on returns. High yield bonds declined modestly (-0.5%), while emerging market debt underperformed more meaningfully(2.3%), reflecting sensitivity to global risk conditions.



¹ Source: Bloomberg. Data is as of March 31, 2026.

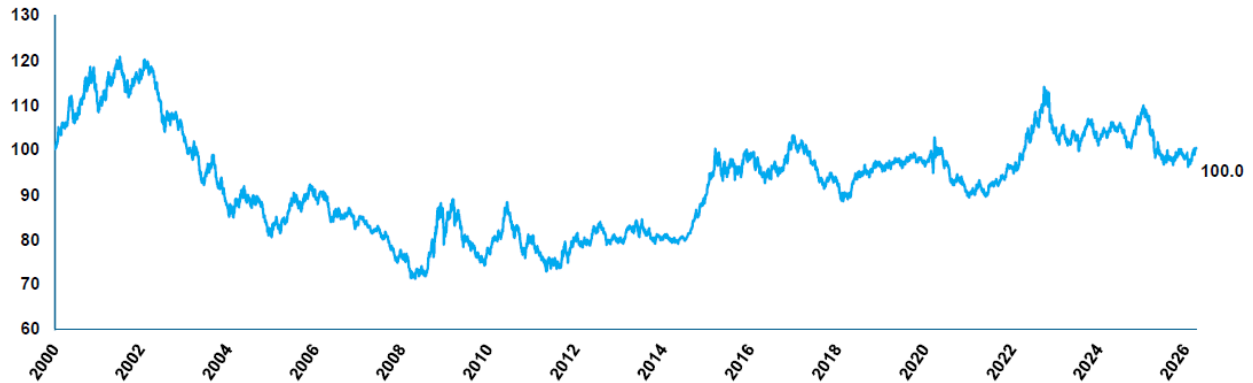
Treasury yields moved higher across the entire curve during the first calendar quarter of 2026 as the war in the Middle East increased inflation concerns and lowered the number of expected interest rate cuts from the Federal Reserve. The policy-sensitive 2-year nominal Treasury yield increased from 3.47% to 3.79%. The 10-year nominal Treasury yield rose from 4.18% to 4.30%, while the 30-year nominal Treasury yield increased from 4.84% to 4.91%. As the front end of the yield curve rose more sharply than longer-dated yields, the spread between the two-year and ten-year Treasury declined from 70 basis points to 53 basis points.

In the first calendar quarter of 2026, year-on-year headline inflation rose from year-end of 2025 level of 2.4% in January to 3.3% in March. This was largely driven by an increase in the energy index (+10.9%) with gasoline prices up 21.2%, the largest monthly gain since 1967. The month-on-month rate jumped from +0.2% to +0.9%. Year-on-year core inflation remained unchanged in the first calendar quarter at 2.6% with the monthly pace falling slightly (0.3% to

FF&A Committee Item 3.4 Q-3 Investments

0.2%). Shelter remained the largest contributor, though notably rent posted the smallest monthly increase since 2021. Despite a rise in March, long-term inflation expectations (breakevens) rose only modestly over the quarter (2.2% to 2.3%).

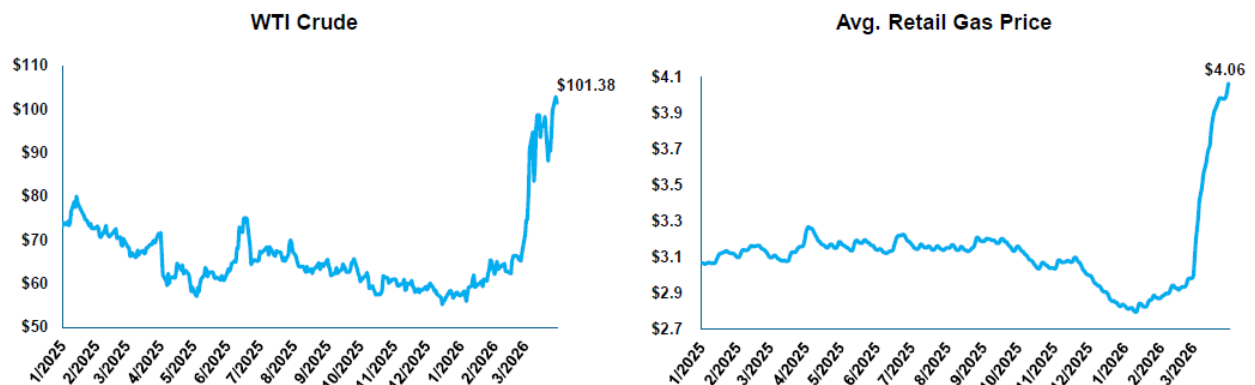
US Dollar vs. Broad Currencies¹



¹ Source: Bloomberg. Data as of March 31, 2026

The U.S. dollar was volatile over the quarter but rose modestly with the U.S. dollar index rising from 98.3 at the end of 2025 to 100.0 by quarter-end. The dollar weakened early in the first calendar quarter given softer U.S. inflation data and related expectations for aggressive Fed rate cuts, then strengthened sharply as the Middle East conflict drove safe-haven demand and the energy-shock inflation threat pushed the Fed back to a holding pattern on potential interest rate cuts. Overall, the dollar remains sensitive to changes in interest rate expectations and geopolitical developments, with policy divergence across regions continuing to play a central role in currency markets.

Gas and Oil¹



¹ Source: Bloomberg. Data as of March 31, 2026

FF&A Committee Item 3.4 Q-3 Investments

Energy prices rose sharply during the first calendar quarter of 2026 following a significant escalation in the Middle East conflict, marking one of the largest geopolitical shocks to global energy markets in history. Concerns around supply disruption risk pushed crude oil (West Texas Intermediate) from approximately \$58 per barrel at year-end to \$101.38 per barrel by quarter-end.

The surge in crude prices translated quickly to consumers, with average U.S. retail gasoline prices rising from \$2.81 at the end of 2025 to \$4.06 by the end of the first calendar quarter, increasing pressures and weighing on household purchasing power.

Summary-Key Trends:

- Global growth expectations entering 2026 remained relatively resilient, with the International Monetary Fund projecting global GDP growth of 3.3% for the year, masking growing divergence across regions. The U.S. outlook remains comparatively stronger, while growth in the euro area and China is expected to moderate amid structural and policy headwinds.
- As the first calendar quarter progressed, the global macro backdrop became more fragile, with geopolitical escalation in the Middle East introducing a significant energy price shock that threatens to weigh on growth while simultaneously re-accelerating inflation pressures. This dynamic has complicated the outlook for monetary policy globally.
- U.S. consumer conditions showed early signs of strain entering 2026. Despite a strong January jobs report, hiring was narrowly concentrated, prior gains were revised lower, and confidence weakened — particularly among lower-income households facing persistent pressure from elevated prices and borrowing costs. February's unexpected loss of 133,000 payroll jobs confirmed that the labor market's apparent resilience might have been more fragile than the headline numbers suggested. However, the economy added 178,000 jobs in March, offsetting the previous month's job losses.
- U.S. equity market leadership continued to broaden during the first calendar quarter. Elevated valuations and increased dispersion shifted investor focus toward earnings durability, cash generation, and return on capital rather than momentum-driven growth. The underperformance of AI-linked mega-caps reinforced this trend.
- Global trade tensions remained outwardly contained during the quarter following the late-2025 tariff suspension, but underlying frictions persisted. Strategic competition in semiconductors and rare-earths, China's slowing growth and low inflation, and heightened geopolitical risk continue to pose downside risks to the global outlook.
- The late-February U.S.-Israel strikes on Iran represent the most significant new risk to the global macro-outlook. Oil's sharp increase, despite recent declines, is tightening financial conditions, threatening to reignite inflation just as some central banks were preparing to ease. This puts the Fed in an increasingly difficult position between a softening labor market and resurging energy prices.

3.5

Q-4 FY 2025-26 Facilities and Capital Projects Report



Oregon Tech's - Capital Projects Update

Thom Darrah | Interim Capital Projects Manager

Presentation Outline



Capital Projects – Underway

- New Student Housing
- Geothermal Systems Emergency Renovation
- Campus Booster Station
- Athletics Field House
- PM Elevator Renovation
- *Project status updates reflect progress through 4.30.26*

New Student Housing



New Student Housing (85,000 sq ft)							
Project Start: 4.01.2023				Project Completion: 5.22.2026			
Project	Progress Highlights	Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance
UPE 822 / FNRESH Bond Type: XI-F 2022 Design: Mahlum Architects CM/GC: Bogatay Const.	Visioning: January 2023 - February 2023						
	Design: March 2023 - April 2024						
	Construction: May 2024 - May 2026	Visioning/Design (7%):	\$ 2,231,400	\$ 2,310,450	\$ 2,199,103	95%	\$ 111,347
	Project underway.	Construction (82%):	\$ 28,000,000	\$ 28,908,716	\$ 28,138,095	97%	\$ 770,621
		Contingency/Other (11%):	\$ 4,768,600	\$ 3,780,834	\$ 3,024,670	80%	\$ 756,164
		Project Totals:	\$ 35,000,000	\$ 35,000,000	\$ 33,361,868	95%	\$ 1,638,132
		CO's / Amendments					
		MA: Amd. 1	\$ 32,500				
		MA: Amd. 2	\$ 35,100				
		MA: Amd. 3	\$ -				
		MA: Amd. 4	\$ 11,450				
		BCI: Amd. 5	\$ 72,645				
		BCI: Amd. 8	\$ 211,905				
		BCI: Amd. 9	\$ 124,137				
			\$ -				
			\$ -				
		Total:	\$ 487,737				

Budget Breakdown		
\$2,310,450	\$28,908,716	\$3,780,834
■ Design	■ Construction	■ Other/Cont

Percent Complete (%)	
5%	■ Remaining
95%	■ Complete

New Student Housing



Extended Project Highlights

- Early Work: 4.08.24 through 6.07.2024
- Project Construction: 6.10.2024 through 2.20.2026
- Project Closeout: 2.20.2026 through 3.20.2026
- Discussion of factors causing three-month extension on completion
- Project GMP of \$28,500,000 approved on 5.23.2024
- Project Scope: New 85,000 sqft, four story building with 511 beds.
- 89% of work by firms within 100-mile radius of project. (57% Klamath Falls / 32% Southern Oregon)
- Project Camera: <https://app.truelook.cloud/?code=cnpi13lm080mqpqm2fupahbuj>

New Student Housing



New Student Housing



New Student Housing



New Student Housing



New Student Housing



New Student Housing



Geothermal Systems Emergency Renovation



Geothermal Systems Emergency Renovation																													
Project Start: 11.06.23				Project Completion: 8.31.2028																									
Project	Progress Highlights			Cost Breakdown	Orig. Budget	Rev. Budget	Cost To Date	%	Balance																				
UPE 830	Design: Phases 1 - 2 - 3 - 5 & 6 completed.																												
Bond Type: XI-Q 2023K	Construction: Phase 1 completed - Phases 2 - 3 - 5 & 6 underway.																												
	Project underway.																												
Design: SHN				Design (7%):	\$ 1,295,615	\$ 986,240	\$ 775,766	79%	\$ 210,474																				
CM/GC: Bogatay const.				Construction (84%):	\$ 2,018,747	\$ 13,233,238	\$ 7,189,820	54%	\$ 6,043,418																				
				Contingency/Other (9%):	\$ 14,641,788	\$ 3,736,672	\$ 68,223	2%	\$ 3,668,449																				
	Plan	Design	Bid	Build	Closeout	Project Totals:		\$ 17,956,150	\$ 17,956,150	\$ 8,033,809	45%	\$ 9,922,341																	
Budget Breakdown				BCI - Amendments		Percent Complete (%)																							
				<table border="1"> <tr><td>#1202948</td><td>\$ 610,304</td></tr> <tr><td>Amd. 1-3-5-8-9</td><td>\$ 4,560,547</td></tr> <tr><td>Amd. 4</td><td>\$ 1,445,424</td></tr> <tr><td>Amd. 6-7-13-1</td><td>\$ 193,791</td></tr> <tr><td>Amd. 10</td><td>\$ 337,737</td></tr> <tr><td>#1379320</td><td>\$ 4,066,689</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td></td><td>\$ -</td></tr> <tr><td>Total:</td><td>\$11,214,491</td></tr> </table>		#1202948	\$ 610,304	Amd. 1-3-5-8-9	\$ 4,560,547	Amd. 4	\$ 1,445,424	Amd. 6-7-13-1	\$ 193,791	Amd. 10	\$ 337,737	#1379320	\$ 4,066,689		\$ -		\$ -		\$ -	Total:	\$11,214,491				
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	\$ -																												
	\$ -																												
	\$ -																												
Total:	\$11,214,491																												

Geothermal Systems Emergency Renovation



Extended Project Highlights

Phase 1 - Geo HX Building Renovation

- New 20,000 gal. geo storage tank completed.
- HX Renovation completed.

Phase 2 - Geo Distribution Piping

- Direct bury geo distribution piping completed.
- Tunnel geo distribution piping underway.

Phase 3 – Geo Wells

- Geo Well 6 Renovation underway.

Phase 4 – Building Geo Renovations

- Design underway.

Phase 5 – Geo Snowmelt Expansion

- Snowmelt expansion underway.

Phase 6 – Campus Electrical Distribution

- Electrical distribution underway.

Geothermal Systems Emergency Renovation



Geothermal Systems Emergency Renovation



Geothermal Systems Emergency Renovation



Geothermal Systems Emergency Renovation



Campus Booster Station



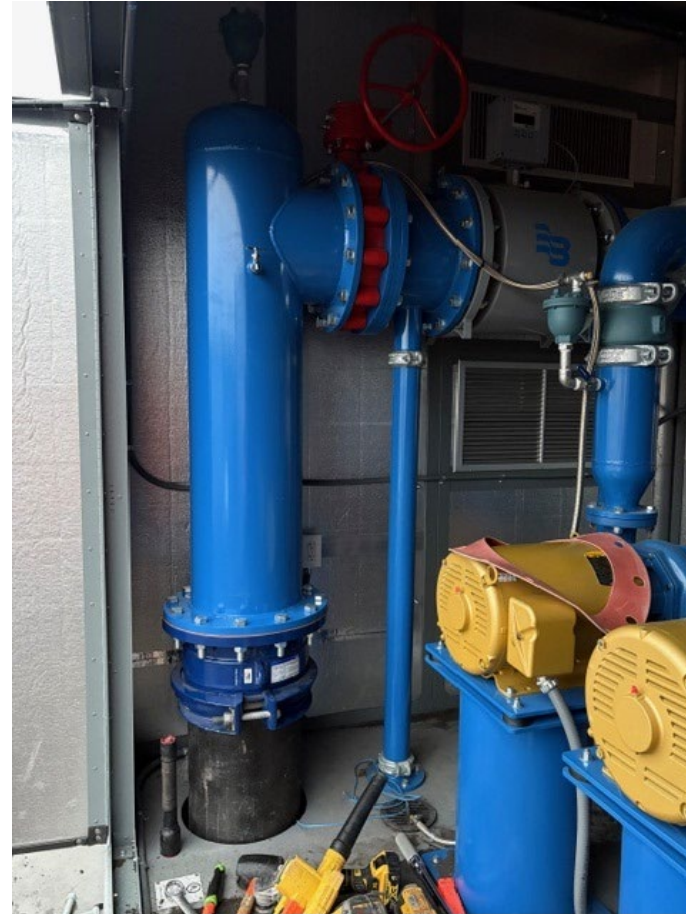
Extended Project Highlights

- Project required due to campus switchover to City water.
- Project Scope: Domestic water booster station with new 12” water line connecting to existing campus loop.
- Project Schedule: September 2025 through May 2026.

Campus Booster Station



Campus Booster Station



Athletics Field House



Extended Project Highlights

- \$3.5M project, donor funded.
- Project Scope: 155' x 60' x 28' indoor practice facility.
- Project Completion: Summer 2026.

Athletics Field House



Athletics Field House



Athletics Field House



Portland-Metro Elevator Renovation



- Scope includes modernization of all three existing elevators.
- Work on-site scheduled to begin June 2026.
- Completion scheduled for October 2026.
- Total project cost: \$452,887.00
- Funding source: CIR and miscellaneous.



Contact Information

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Email: Thom.Darrah@oit.edu

3.6

KPMG KPI/Financial Ratios for
FYE 2024-25

FF&A Committee Item 3.6

Fiscal Year 2024-25 Financial Statement Ratios

Background

The financial health of Oregon Tech (the University) is assessed using widely recognized industry benchmarks and ratios. *Strategic Financial Analysis for Higher Education, Seventh Edition*—published by KPMG, Prager, Sealy & Co., LLC, and Attain LLC—defines key financial ratios and benchmarks commonly used across both public and private higher education institutions.

This publication outlines four core ratios that help answer essential financial questions and should be reviewed annually:

1. **Primary Reserve Ratio** – Are resources sufficient and flexible enough to support the mission?
2. **Net Operating Revenues Ratio** – Do operating results indicate the institution is living within its available resources?
3. **Return on Net Position Ratio** – Do asset performance and management align with the institution’s strategic direction?
4. **Viability Ratio** – Are financial resources, including debt, being managed strategically to advance the mission?

Together, these ratios are used to calculate the **Composite Financial Index (CFI)**, a single metric that reflects the University’s overall financial health.

The CFI only measures the financial component of an institution’s well-being. It must be analyzed in context with other associated activities and plans to achieve an assessment of the overall health, not just financial health, of the institution. As an example, if two institutions have identical CFI scores, but one requires substantial investments to meet its mission-critical issues and the other has already made those investments, the first institution is less healthy than the second. In fact, a high CFI is not necessarily indicative of a successful institution, although a low CFI generally is indicative of additional challenges. When put in the context of achievement of mission, a very high CFI with little achievement of mission may indicate a failing institution.

Strategic Financial Analysis for Higher Education

In addition to the core ratios, Oregon Tech also calculates the **Debt Burden Ratio** annually. While not one of the four core ratios, it is a critical indicator of debt affordability and should be considered in any institution’s financial analysis.

Per the Board Policy on Debt Management, the University reports the following ratios annually to support evaluation of debt capacity and affordability:

- **Primary Reserve Ratio**
- **Viability Ratio**
- **Debt Burden Ratio**
- **Debt Service Coverage Ratio**
- **Debt to Revenues Ratio**

Reporting Entity

Financial data from the Oregon Tech Foundation (the Foundation) is included in the University's ratio calculations, as defined by *Strategic Financial Analysis for Higher Education*. The University's Annual Financial Report (AFR), which presents the Foundation as a discretely presented component unit, serves as the source for this data. The Foundation also issues its own complete, standalone financial statements.

Staff Recommendation

None.

Primary Reserve Ratio

The Primary Reserve Ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable net position (both unrestricted and restricted, excluding net position restricted for capital investments) without relying on additional net position generated by operations. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position}^*}{\text{Total Expenses}}$$

**Excluding net position restricted for capital investments*

Key items that can impact expendable net position:

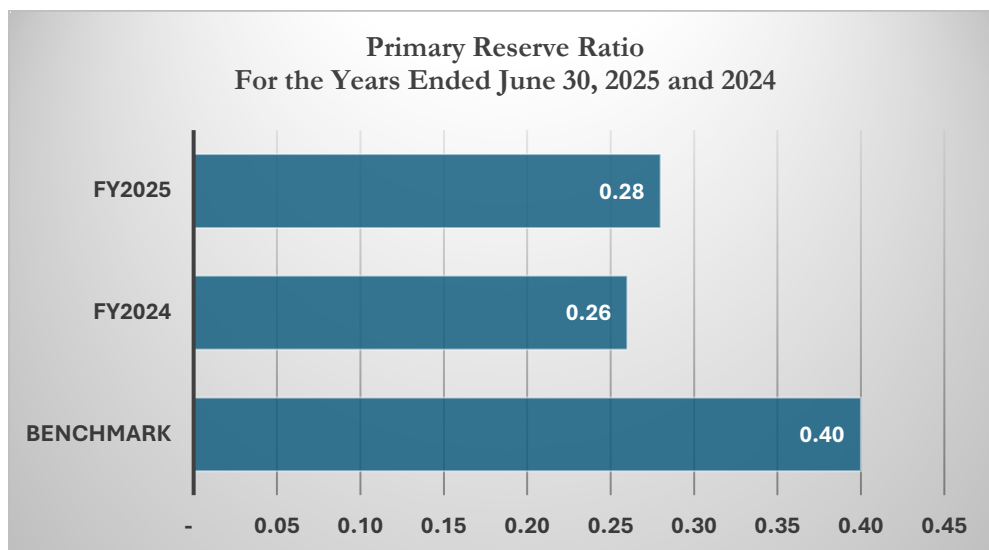
- Principal payments on debt
- Use of unrestricted net position to fund capital construction projects
- Operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)

The Primary Reserve Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

A ratio of .40x (provides about 5 months of expenses) or better is advisable to give institutions the flexibility to manage the enterprise.

Fiscal Year 2025 Analysis:

Oregon Tech’s Primary Reserve Ratio for FY2025 increased to 0.28, indicating the University has sufficient expendable resources to cover 3.5 months of operating expenses. This modest increase from FY2024 reflects an increase in the University’s expendable net position, primarily driven by increased operating and investment revenues. The increase in operating revenues was largely attributable to higher state and local grants and contracts, as well as auxiliary revenues. Additionally, investment revenues increased in FY2025 due to the increased cash-on-hand and improved market conditions.



Net Operating Revenues Ratio

The Net Operating Revenues Ratio is a measure of operating results and answers the question, “Do operating results indicate that the University is living within available resources?” Operating results either increase or decrease net position and, thereby, impact the other three core ratios: Primary Reserve, Return on Net Position, and Viability. This ratio is calculated as follows:

$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses)}}{\text{Operating Revenues plus Non-Operating Revenues}}$$

Key items represented by the Net Operating Revenues Ratio:

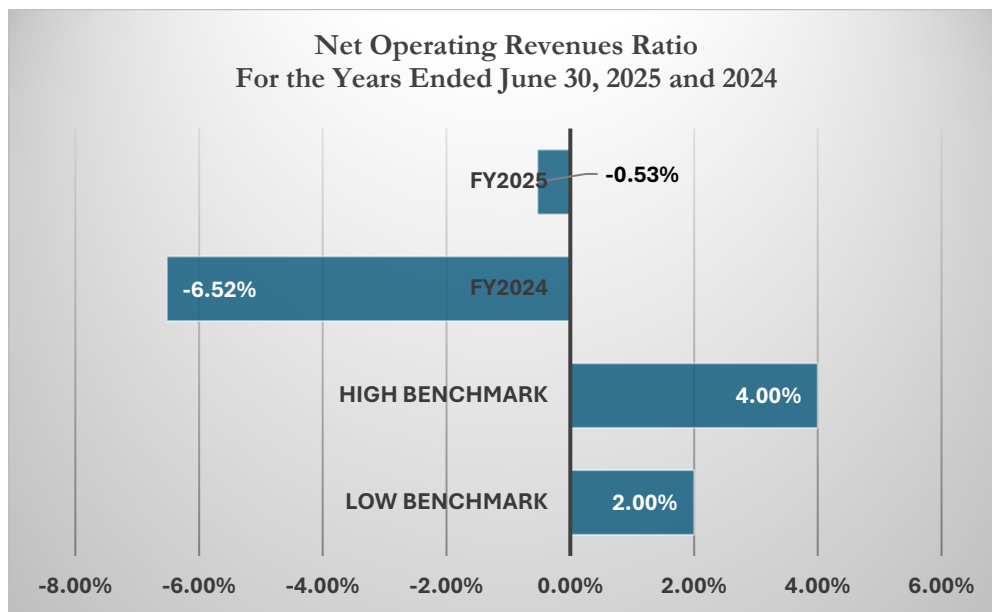
The primary reason institutions need to generate some level of surplus over long periods of time is because operations are one of the sources of liquidity and resources for reinvestment in institutional initiatives.

Strategic Financial Analysis for Higher Education

A target of at least 2% to 4% is a goal over an extended period, although fluctuations from year to year are likely. A key consideration for institutions establishing a benchmark for this ratio would be anticipated growth in total expenses.

Fiscal Year 2025 Analysis:

The Return on Net Position Ratio increased in FY2025 compared with FY2024, primarily due to net income of approximately \$6.1 million recorded during the fiscal year. In addition, both operating and nonoperating revenues increased in the current year, driven by higher state and local grants and contracts, auxiliary revenues, and investment revenues.



Return on Net Position Ratio

The Return on Net Position Ratio measures asset performance and management. It determines whether an institution is financially better off than in the previous year by measuring total economic return. It is based on the level and change in total net position.

A decline in this ratio may be appropriate and even warranted if it reflects a strategy to better fulfill the institution's mission. An improving trend in this ratio indicates that the institution is increasing its net position and is likely to be able to set aside financial resources to strengthen its future financial flexibility. This ratio is calculated as follows:

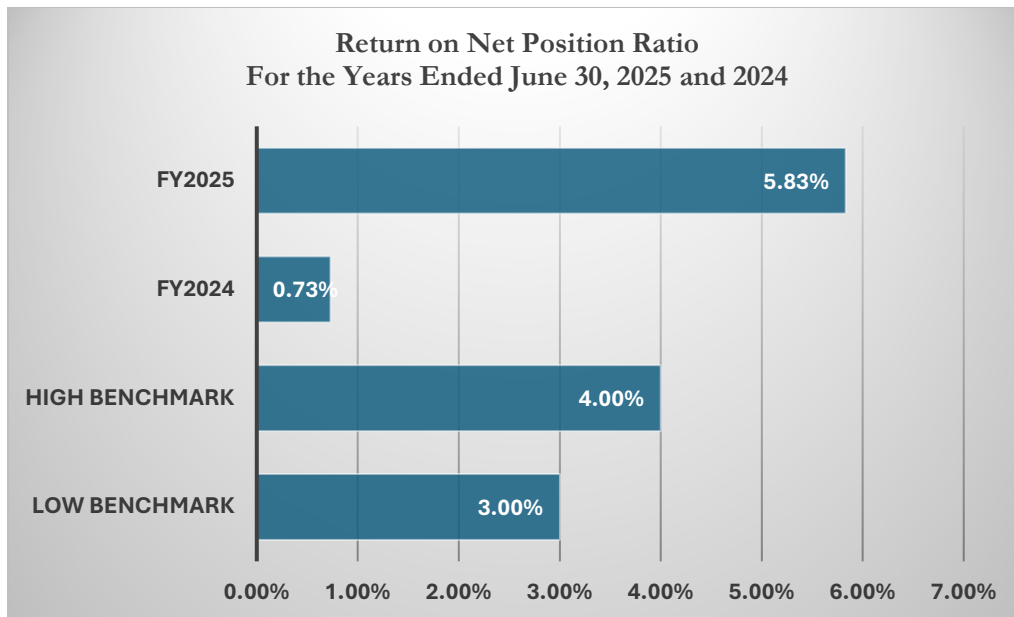
$$\frac{\text{Change in Net Position}}{\text{Total Beginning of the Year Net Position}}$$

Key items that can impact expendable net position:

- Items that impact the Net Operating Revenues Ratio
- Capital appropriations, grants, gifts, and transfers
- Endowment returns and endowment gifts

Fiscal Year 2025 Analysis:

The Return on Net Position Ratio increased in FY2025, reflecting positive net income of approximately \$6.1 million, compared with a net loss of \$3.7 million in FY2024. FY2025 net income was driven primarily by higher state and local grants and contracts, auxiliary revenues, and investment revenues. Capital grants and gifts also increased in FY2025 in connection with the geothermal heating system emergency renovation project and capital improvement and renewal (CIR) projects. The year-over-year improvement in financial performance was the primary driver of the increase in the ratio.



Viability Ratio

The Viability Ratio measures expendable resources that are available to cover debt obligations (e.g., capital leases, notes payable, and bonds payable) and generally is regarded as governing an institution’s ability to assume new debt. This ratio is calculated as follows:

$$\frac{\text{Expendable Net Position}^*}{\text{Long-Term Debt}}$$

**Excluding net position restricted for capital investments*

Key items that can impact expendable net position:

- Principal payments on debt
- Use of unrestricted net position to fund capital construction projects
- Operating results (operating revenues – operating expenses + nonoperating revenues – nonoperating expenses + depreciation)

There is no absolute threshold that will indicate whether the institution is no longer financially viable. However, the Viability Ratio, along with the Primary Reserve Ratio discussed earlier, can help define an institution’s “margin for error”. As the Viability Ratio’s value falls below 1:1, an institution’s ability to respond... to adverse conditions from internal resources diminishes, as does its ability to attract capital from external sources and its flexibility to fund new objectives.

Many public institutions can operate effectively at a ratio far less than 1:1 since the debt may be reported by a state agency and not the institution, or the institution enjoys the credit rating of the state for its borrowing purposes.

Strategic Financial Analysis for Higher Education

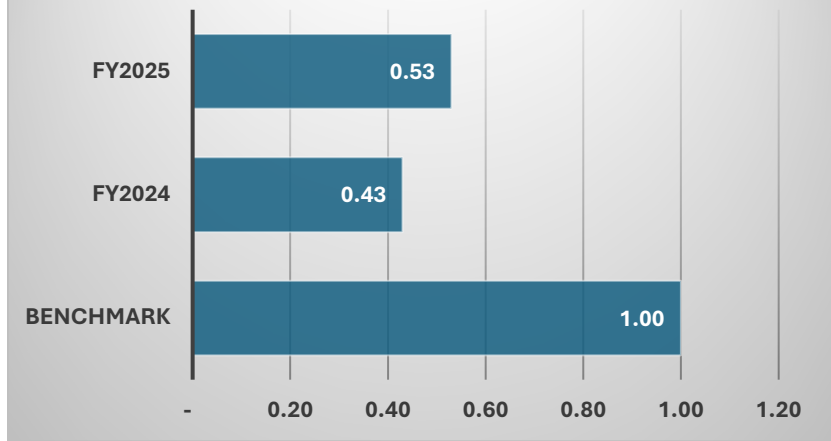
The Viability Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

A ratio of 1.00 or greater indicates that there are sufficient resources to satisfy debt obligations.

Fiscal Year 2025 Analysis:

Oregon Tech’s Viability Ratio increased to 0.53 in FY2025. This increase was driven by a reduction in long-term debt resulting from scheduled debt service payments made during the year, along with an increase in the University’s expendable net position.

Viability Ratio
For the Years Ended June 30, 2025 and 2024



Composite Financial Index

The Composite Financial Index (CFI) creates one overall financial measurement of the institution's health based on the four core ratios: Primary Reserve Ratio, Net Operating Revenues Ratio, Return on Net Position Ratio, and Viability Ratio. By blending these four key measures of financial health into a single number, a more balanced view of the state of the institution's finances is possible because a weakness in one measure may be offset by the strength of another measure.

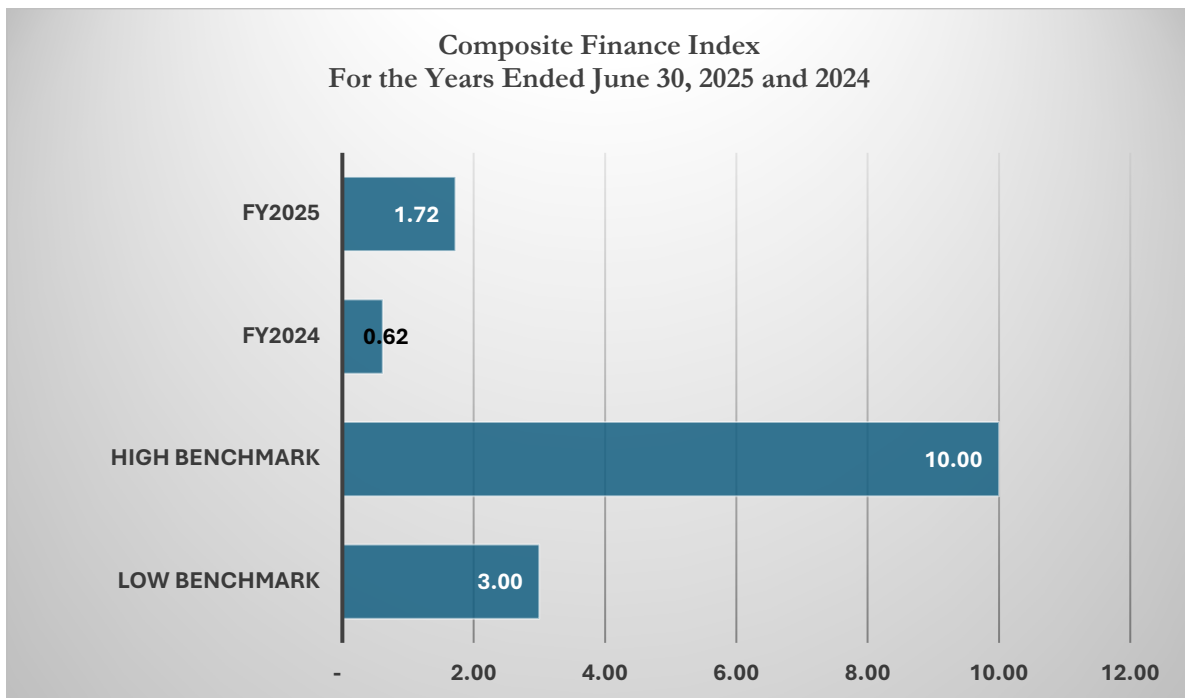
The CFI is calculated by completing the following steps:

1. Compute the values of the four core ratios;
2. Convert the ratio values to strength factors along a common scale;
3. Multiply the strength factors by specific weighting factors; and
4. Total the resulting four numbers (ratio scores) to reach the single CFI score.

A score of 1.00 indicates very little financial health, 3.00, the low benchmark, represents a relatively stronger financial position; and 10.00 is the top of the scale.

Fiscal Year 2025 Analysis:

Oregon Tech's CFI score increased to 1.72 in FY2025, driven by positive net income and higher expendable net position. The score continues to reflect strong performance in the Return on Net Position Ratio, indicating that the University is generating returns and operating within its available resources.



Debt Burden Ratio

The Debt Burden Ratio examines the institution’s dependence on borrowed funds as a source of financing its mission and the relative costs of borrowing to overall expenditures. It compares the level of current debt service with the institution’s total expenditures. Debt service includes interest and principal payments. The ratio is calculated as follows:

$$\frac{\text{Debt Service}}{\text{Total Expenditures}}$$

Ratio considerations include:

- A level trend or decreasing trend indicates that debt service has sufficient coverage without impinging further on financial resources required to support other function areas.
- A low debt service burden is not necessarily superior to a higher debt service burden. For most financially healthy institutions, it is advisable to allocate a certain percentage of the operating budget to debt service. Institutions with very low ratios may be forgoing necessary investment in facilities, which, over time, may have a negative impact on their competitive profiles.

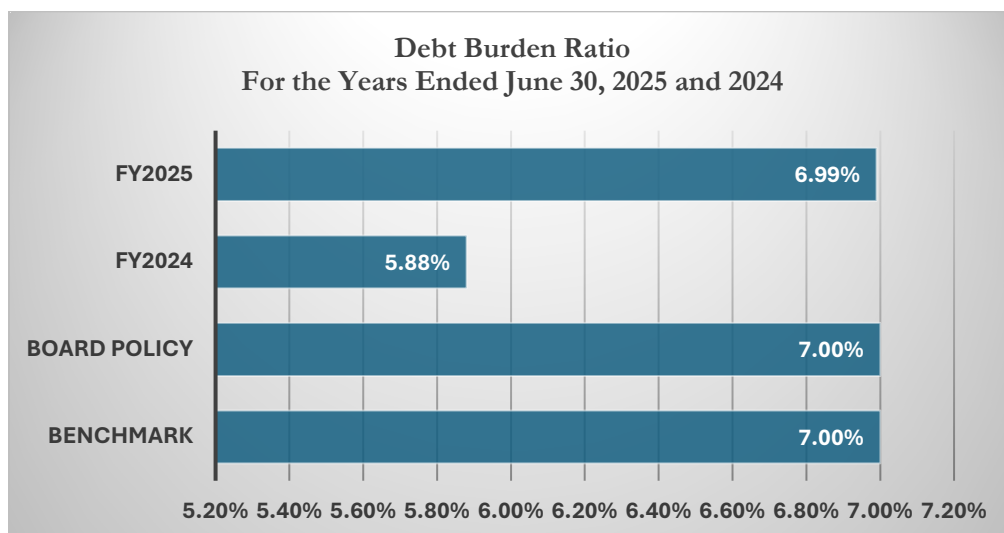
The Debt Burden Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

The industry often has viewed the upper threshold for this ratio as 7.00 percent, meaning that current principal payments and interest expense should not represent more than 7 percent of total expenditures.

Fiscal Year 2025 Analysis:

Oregon Tech’s Debt Burden Ratio increased in FY2025 compared to FY2024, as anticipated. This increase was driven by an increase in debt service principal payments, following regular debt retirement schedules, as well as additional leases and subscription-based information technology agreements entered into during the year.

Oregon Tech remains within the ratio’s threshold established by the Board Policy on Debt Management.



Debt Service Coverage Ratio

This ratio measures the excess of income over adjusted expenses available to cover annual debt service payments. The Debt Service Coverage Ratio is an important ratio because it gives the analyst a level of comfort that the institution has a net revenue stream available to meet its debt burden should economic conditions change.

$$\frac{\text{Operating Income (Loss) plus Net Non-Operating Revenues (Expenses) plus Interest Expense plus Depreciation plus Foundation Adjusted Change in Net Assets}}{\text{Debt Service}}$$

Ratio considerations include:

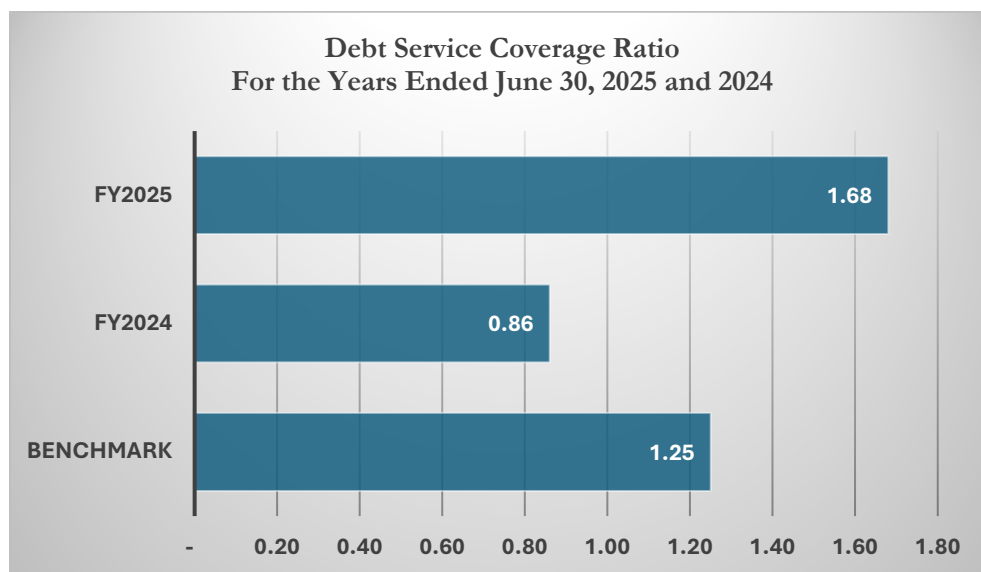
- A high ratio is considered advantageous,
- A low ratio or declining trend gives reason for concern regarding the institution's ability to sustain its operations, especially in the face of future budgetary challenges.

The Debt Service Coverage Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

While the industry does not set a recommended upper or lower threshold, a ratio of 1.25 can be viewed as a general guideline.

Fiscal Year 2025 Analysis:

Oregon Tech's Debt Service Coverage Ratio increased in FY2025 compared with FY2024, primarily due to higher operating and nonoperating revenues. These gains were partially offset by increased operating expenses, particularly supplies and services.



Debt to Operating Revenues Ratio

The Debt to Operating Revenues Ratio measures the amount of leverage relative to the size of the institution’s operating revenues. A lower ratio is considered better. The ratio is calculated as follows:

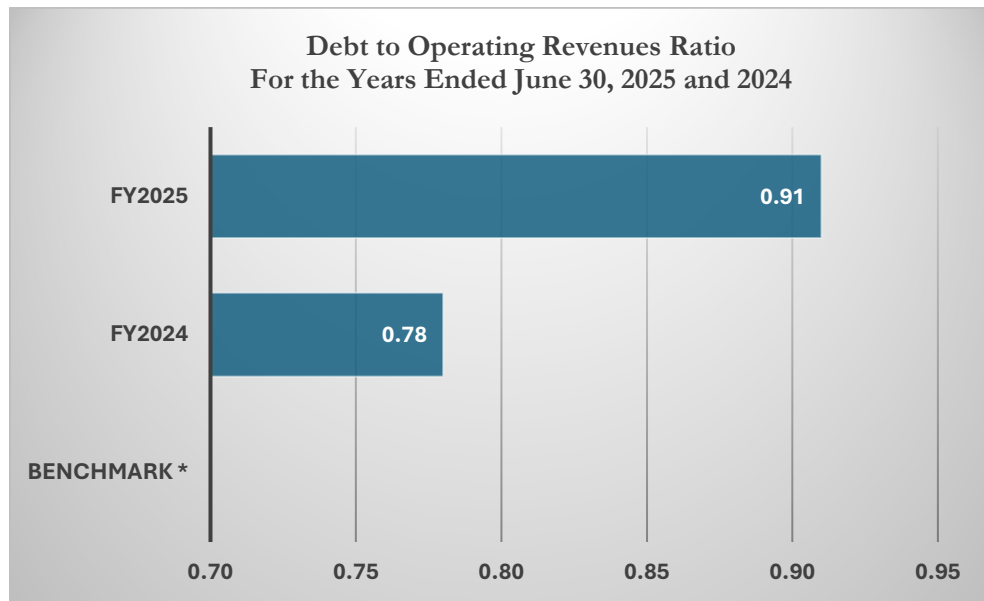
$$\frac{\text{Outstanding Debt}}{\text{Total Operating Revenues}}$$

The Debt to Operating Revenues Ratio is one of five ratios required to be evaluated annually per the Board Policy on Debt Management.

While the industry does not set a recommended upper or lower threshold, a ratio of 1.25 can be viewed as a general guideline.

Fiscal Year 2025 Analysis:

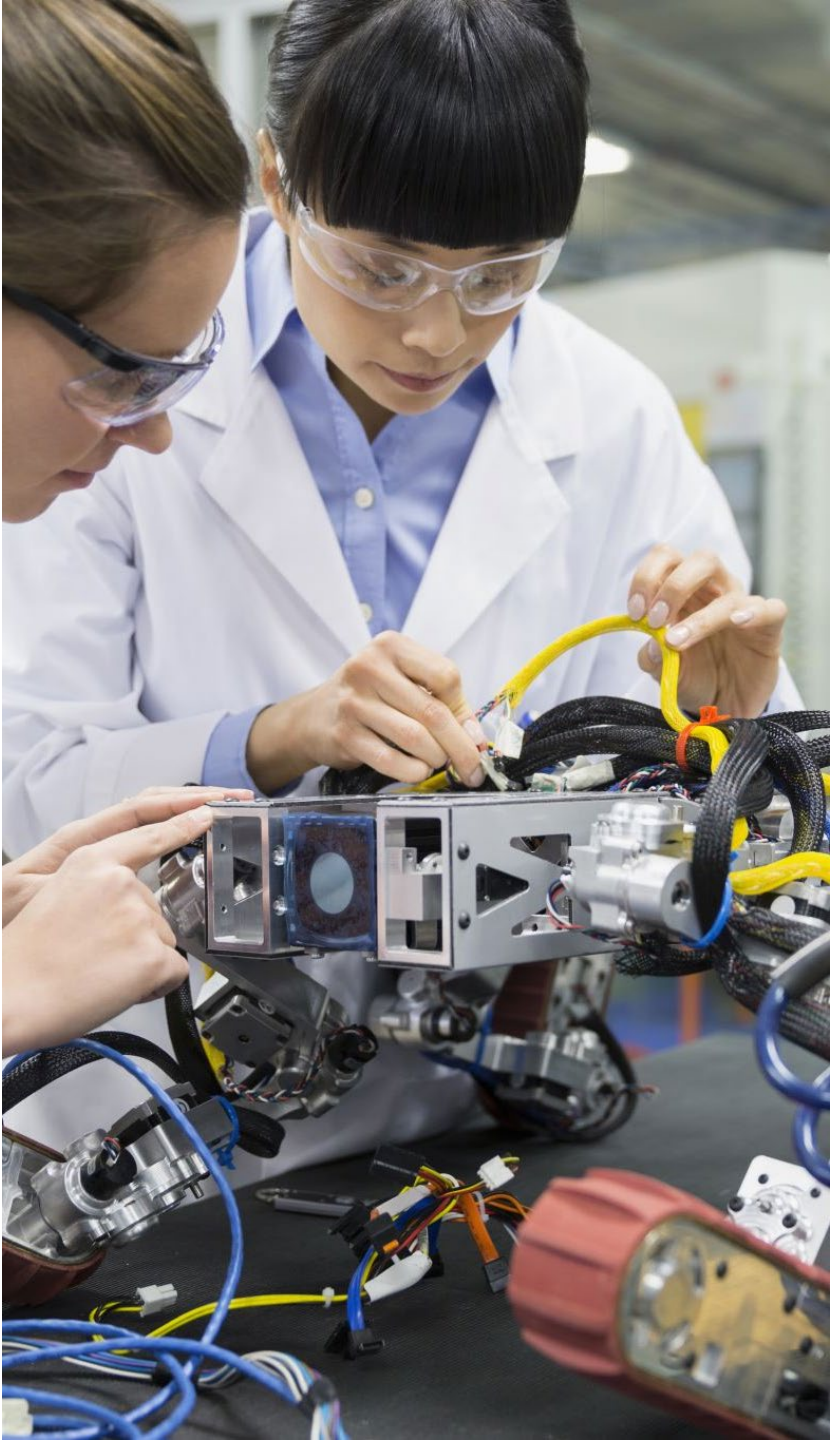
Oregon Tech’s Debt to Operating Revenues Ratio increased slightly in FY2025 compared with the prior year. This change reflects a combination of factors: an increase in University operating revenues and a reduction in University long-term debt resulting from scheduled debt service payments made during the fiscal year. However, long-term debt declined at a slower rate than operating revenues increased, resulting in a slight increase in the ratio.



* A Benchmark, or advised range not set.

3.7

Eide Bailly LLP, Internal Audit
Update



FF&A Item 3.7

Oregon Institute of Technology Remissions Consulting Project Update and 2027 Audit Plan

June 3, 2026

Remissions Consulting Project

Objectives of Engagement

- ❖ **Objective 1** – Gain clarity of institutional objectives for remissions in alignment with enrollment, retention, equity, and net tuition revenue goals and overall strategic plan.
- ❖ **Objective 2** – Assess and map the current institutional aid/tuition remission end-to-end processing, from eligibility determination, packaging policies, timelines, and reconciliations, through tracking.
- ❖ **Objective 3** – Suggest a decision framework and strategic recommendations for scholarship leveraging, awarding refinements, policy alignment, transparency, as well as a governance structure with decision rights, annual review cycle, and budget coordination aligned with performance objectives.

ACKNOWLEDGEMENTS

We would like to acknowledge and thank all the key stakeholders who have taken time out of their busy schedules and day commitments to:

- ❖ Share their deep knowledge, expertise and insight.
- ❖ Provide supporting documentation of their processes and data.
- ❖ Share additional insight and time for our follow-up questions and requests.
- ❖ Provide additional insight and support that they felt may be helpful in our consulting project.

Everyone has made a considerable effort to not only provide these items in a timely manner, but also provided thoughtful suggestions to consider about enhancing the Remissions Program overall for the strategic mission and objectives of Oregon Tech.

Thank you.

Where We Are – Completed Planning

Steps Performed To Date

- ❖ Conducted interviews and high-level walkthroughs with key stakeholders involved in the remissions process.
- ❖ Obtained limited admissions scholarship data available for agreed upon comparator higher education institutions for benchmarking purposes.
- ❖ Requested critical documentation and information such as written policies and procedures, data from various sources including reports from admissions and student information systems, financial aid data, program data, and budget/financial data.
- ❖ Requested available internal tracking materials and any existing examples of admissions award letters, and scholarship-related information.
- ❖ Reviewed and analyzed initial data provided and performed key analytics for core elements related to remissions awarding.
- ❖ Drafted initial recommendations for a formal framework for the remissions program — suggesting best practices and core criteria considerations — to align program goals with Oregon Tech’s strategic objectives through iterative stakeholder collaboration, ensuring transparency, accountability, and fiscal responsibility.

Current Landscape – Key Themes

Remissions Program Growth without a Formal Framework

General observations and opportunities garnered from initial meetings:

- ❖ There is an opportunity to establish a formal framework that defines percentage expectations, program criteria, and data requirements to support ongoing impact evaluation.
- ❖ Admissions has historically focused on recruitment with a natural hand-off at admission; there's currently momentum to extend focus into retention from the start of the student lifecycle.
- ❖ Admissions-awarded remission amounts increased approximately five years ago; resulted in increased total remission budget, but enrollment also increased.
- ❖ Admission award budgets have not increased in proportion with tuition increases, but there is no defined ceiling to number of awards admissions offers. Due to increased enrollment and number of admissions awards offered, the total spent has increased.
- ❖ Athletics remissions have historically been increased at the same percentage as tuition increases; athletic students may receive stacked athletic and admissions remissions.
- ❖ A Retention Committee meets regularly but hasn't incorporated remission goal-setting or efficacy into its scope. There is also a robust annual recruitment plan that does not address remissions. An opportunity exists to broaden the work of both areas into a cross-functional SEM conversation.
- ❖ As remissions program evolved, some adjustments were made without the data infrastructure to fully measure their impact; strengthening documentation and stakeholder communication would support more intentional iteration going forward.

Initial Observations

Comparator Institution Admissions Remissions Benchmarking

Other institutions considered:

- Eastern Oregon University (EOU)
- Montana Technological University (MTU)
- Oregon State University (OSU)
- Portland State University (PSU)
- Southern Oregon University (SOU)
- University of Oregon (OU)
- Western Oregon University (WOU)

Criteria included:

- Award (name, tier) and type (merit- and/or need-based)
- Resident/WUE/non-resident amounts
- GPA and/or ACT/SAT criteria
- Credit completion requirements
- Application deadlines
- Renewability timeframe and criteria
- Awarding department

Noted comparisons:

- Other institutions generally set higher GPA thresholds for top tier awards, which could inform how Oregon Tech positions prestige awards.
- Several comparator schools use earlier priority award deadlines; Oregon Tech may explore an earlier application window to improve yield.
- Transfer renewal terms tend to be shorter at evaluated institutions — an area to evaluate for alignment.
- Several institutions treat the tuition reduction to 150% of in-state amounts as the WUE award.
- Some comparator schools consider need as well as GPA/test scores.

Other Considerations to Date

❖ Governance & Strategy

- Consider establishing a cross-divisional SEM workgroup to guide enrollment, aid strategy, and institutional priorities.
- Work toward building a coordinated SEM culture that aligns decisions from inquiry through graduation, balancing enrollment goals, program capacity, and financial sustainability.

❖ Policy & Process Framework

- There is an opportunity to develop comprehensive SEM Policies & Procedures, including standardized remission practices and regular evaluation of aid strategies and data.
- Streamlining remissions and institutional aid processes would improve consistency, equity, and alignment with enrollment goals.

❖ Data, Reporting & Analytics

- Identifying essential data elements and KPIs would strengthen monitoring and enhance aid leveraging.
- Automated, real-time reporting dashboards using multiple data sources to track current performance, assess impact of aid strategies, would enable more timely data-informed decisions.

❖ Student-Centered Analysis & Leveraging

- Deeper analysis of student population – including need and segmentation – could reveal opportunities to sharpen targeting and optimize outcomes.

Why the Need for a Broader Workgroup

Creating a cross-divisional SEM workgroup is important on multiple levels:

- Enrollment is an institution-wide outcome.
- Creates a student-lifecycle approach.
- Improves decision quality through shared data.
- Strengthens accountability and follow-through.

A cross-divisional workgroup can strengthen enrollment, budgeting, marketing, funding, and program strategy through:

- Enrollment growth and yield.
- Budgeting and net tuition revenue.
- Marketing and brand-to-enrollment performance.
- Funding and financial aid strategy.
- Academic program and pathway design.

Where We Are Headed

Next Steps

- ❖ Refine data requests and continue to review and perform data analysis with the goal of providing more insight and information to leverage for future monitoring of the impact of any adjustments in the remissions process in an incremental manner.
 - *Continuing student data*
 - *Transfer-in student data*
 - *Athletic award info*
 - *Broader aid and need info across whole student population*
- ❖ Complete the assessment and mapping of remission end-to-end processing, from eligibility determination, packaging policies, timelines, and reconciliations, through tracking.
- ❖ Finalize recommendations for a decision framework and strategic recommendations for scholarship leveraging, awarding refinements, policy alignment, transparency, as well as a governance structure with decision rights, annual review cycle, and budget coordination aligned with performance objectives.

FY 2027 Audit Plan and Ethics Hotline Update

❖ Finalize remission project

- *Summer 2026*

❖ Emergency Management and Business Continuity

- *Assess whether Oregon Tech has a coordinated, tested, and externally integrated emergency management and business continuity framework that supports institutional resilience.*
- *Review plan completeness, crisis communication protocols, and readiness across critical functions (IT, campus safety, academic continuity).*
- *Begin during Summer 2026/Present results October 2026 Board Meeting*

❖ Annual Risk Assessment Update

- *Begin during Fall 2026/Present results January 2027 Board Meeting*

❖ Follow up on Prior Year Audits

- *Begin during Fall 2026/Present results January 2027 Board Meeting*

FY 2027 Audit Plan and Ethics Hotline Update (*Continued*)

❖ Student Behavior Health Internal Audit

- *Review adequacy of student threat assessment team and student health resources, including threat assessment processes, student health center, and campus safety.*
- *Confirm policies, staffing, systems, communication and response protocols collectively support a safe environment.*
- *Begin Fall 2026/Present results April 2027 Board Meeting*

❖ Third Internal Audit Project to be determined during FY2027

❖ Ethics Hotline Update

- *No new cases reported.*



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Thank you

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3.8

CliftonLarsonAllen LLP,
External Audit Update



Oregon Institute of Technology - Audit Status Update

June 2026

Overview

CLA has begun audit planning for the Oregon Institute of Technology, including defining the audit scope, timing, and approach, and coordinating with management and the audit committee while identifying key focus areas.

Audit Planning and Progress

The Oregon Institute of Technology audit covers the fiscal year ending June 30, 2026, and is progressing in accordance with the planned audit timeline outlined below:

- May 2026 – Planning & IT Audit
 - Audit planning procedures are substantially complete, including defining audit scope, risk assessment, and issuance of PBC request lists.
 - The IT audit is currently in progress, with testing focused on key systems, access controls, and general IT controls. Preliminary IT audit conclusions will be communicated on May 22, 2026, including any identified control considerations and recommended follow-up procedures, if applicable.
- June – July 2026 – Compliance Testing (Student Financial Assistance Cluster)
 - Student Financial Audit (SFA) compliance testing will begin in June 2026.
 - Testing is expected to be concluded by the end of July 2026, assuming timely receipt of requested documentation.
- July – August 2026 – Research & Development (R&D) Testing (If Applicable)
 - Based on preliminary SEFA review, R&D compliance testing will commence in July 2026, if determined to be applicable.
 - Procedures will focus on evaluating program classification, allowable costs, and compliance with Uniform Guidance requirements.
 - Testing is expected to be completed by the end of August 2026.
- October 2026 – Final Fieldwork
 - The audit team will perform final fieldwork in October 2026
- November – December 2026 – Financial Statement Completion & Issuance
 - The financial statement audit is planned to be completed by the end of November 2026, including final review and clearance procedures.
 - Audit reports are expected to be issued by mid-December 2026, in advance of the January 2027 Board meetings.

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4.1

Recommendation for FY 2026-
27 All Funds Budget

ACTION

Agenda Item No. 4.1

Fiscal Year 2026-27 Oregon Tech All Funds Budget

Background:

Each year, Oregon Tech conducts an extensive and collaborative process in developing the All-Funds Budget for the next fiscal year. The All-Funds Budget includes the Education and General, Auxiliary, Service Operations and Designated Operations Funds budgets. The General Fund (GF) is the primary operating budget for the university. The General Fund budget also includes “Special General Fund” budgets which are fee-for-service activities such as clinic revenues and grant indirect charges. Online Education, Advanced College Placement, and Boeing operations are included in the Special General Fund budget since revenues from these programs are used to support general operations of the university. “Other Revenue” includes interest earnings, gain or loss on sale of investments and miscellaneous revenue.

The General Fund includes revenues from tuition and fees, state appropriations through the Public University Support Fund (PUSF), Engineering & Technology Sustaining Fund (ETSF) and Oregon Renewable Energy Center (OREC) along with other miscellaneous income. These revenues are used to fund instruction, research administration, public service, academic support, institutional support, student services and facilities operations of the institution.

Auxiliary, Service and Designated operating funds are separate pools of dedicated resources and are included distinctly. Auxiliary budgets include student housing operations, campus life, athletics, parking, student health and other various non-core operations. These operations are expected to be self-supporting mostly through fees and maintain balanced budgets throughout the fiscal year.

Recent Financial Landscape

The current year’s budget was developed with minimal spending reductions and operational adjustments even though many operational costs continued to increase related to salaries and benefits and some structural deficits. The FY 2025-26 balanced budget approved by the Board was possible in part as a result of increasing student enrollment, improved retention and careful expense management. As of the FY 2025-26 official fall enrollment reporting date, the University achieved a three and one-half percent (3.5%) increase in enrollment (excluding high school ACP) over the prior year combined with an increase in student credit hours of one and six-tenths percent (1.6%). However, even with these improvements, Oregon Tech may not avoid an operating deficit by FY 2025-26 yearend. This is due to a number of budget variances. While overall, faculty and administrative salaries are under budget, salary recapture is less than in prior years and final adjustments from the CBA exceeded budget by \$500,000. Additionally, unbudgeted tuition remissions rose by eleven percent (11%). The impact of these revenue and expense variances will not be fully clear until year-end.

Although FY 2025-26 enrollment results give reason for optimism, we know the enrollment cliff is not far away and that many universities across the country continue to experience a prolonged decline

in enrollment with regional universities disproportionately impacted compared to their peer flagship universities.

Oregon Tech continues to manage the challenges strategically through careful planning, fiscal discipline and with an overarching focus on maintaining quality academic degree programs while supporting student success. In FY 2026-27, Oregon Tech will continue to focus on strategic enrollment and student retention initiatives as well as investment in faculty and new or expanded market competitive academic degree programs that meet evolving workforce needs, while closely managing expenditures.

The evolving nationwide conversation on higher education has altered how students and families perceive and prioritize the cost and value of higher education. This is further complicated in Oregon where state demographics continue to evolve and there is one of the lowest rates of student matriculation to college upon completing high school as well as one of the lowest rates nationally for state funding per student FTE at its public universities.

Process

In developing the FY 2026-27 Budget, the university adhered to a set of budget development principles supported by the Board of Trustees to ensure fiscal responsibility in developing a realistic budget along with operational efficiencies to position the university for continued success in driving its strategic plan and achieving its mission. These principles were jointly developed between the President, Senior Leadership Team and the Fiscal Operations Advisory Council (FOAC) and are as follows:

- 1) Balance revenue, other resources and expenditures within the operating budget.
- 2) Prioritize recruiting, retaining, and graduating students to ensure long-term sustainability.
- 3) Align programs and initiatives with industry and employer demand.
- 4) Invest in faculty, staff, and infrastructure to support student and institutional success.
- 5) Use a budget development process built on realistic assumptions and forecasting.

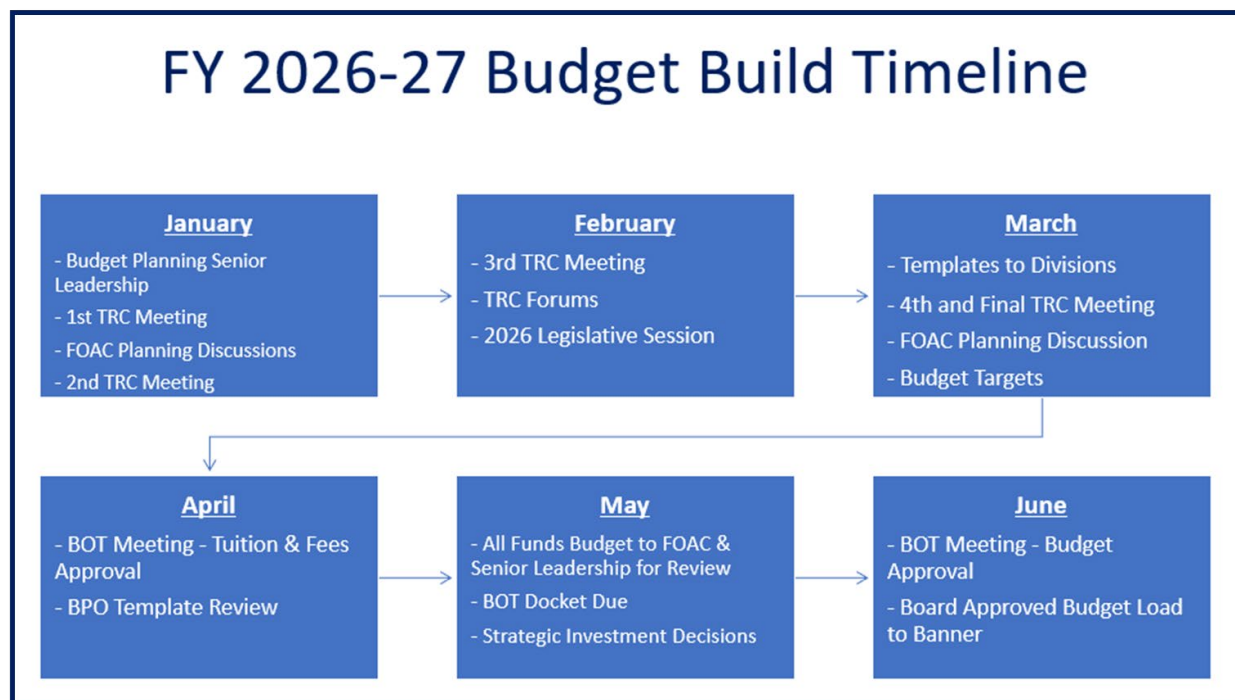
The FY 2026-27 budget was balanced with minimal reductions of \$326,872, with no additional funds remaining for new strategic investments. Faculty and staff positions that were previously budgeted were not reduced during the process, although division vice presidents were allowed to repurpose funds between categories in finalizing their budgets. Continuing strategic initiatives from FY 2025-26 were carried forward into the FY 2026-27 budget.

Each Vice President worked closely with teams in their divisional structures and in collaboration with the president and peer vice presidents in developing their final budgets. There were leadership meetings during the course of budget development to promote shared decision-making and to ensure the resulting budget was mission centric and supported the University strategic plan.

Additionally, between January and May, vice presidents engaged with the Fiscal Operations Advisory Council (FOAC) during its regularly scheduled meetings to discuss divisional budget objectives and challenges and to solicit feedback and recommendations from the advisory group for consideration in finalizing the budget.

A budget timeline was collaboratively developed and distributed. The process was designed to meet budget objectives supported by the Board, while including FOAC in the review and advisory process. See Figure 1 below.

Figure 1



Budget Assumptions

The following assumptions were used in establishing the FY 2026-27 General Fund budget:

Revenues:

1. The tuition rate is budgeted to increase by 4.0% as approved by the Board in April 2026.
2. Enrollment (student credit hours) is budgeted to increase by 1.0% over FY 2025-26 actual.
3. Fee remissions are budgeted to be approximately 18.6% of gross tuition.
4. State appropriations were budgeted at the Year 2 funding level based on the 2025-27 biennium Legislative approved budget (7% increase over 2023-25 biennium) and using recent SSCM modeled calculations.

Expenses and Budget Targets:

5. Divisional budget targets for FY 2026-27 were calculated based on the FY 2025-26 permanent budgets, incorporating adjustments for salary and other payroll expense (OPE) increases as well as non-payroll initiatives funded and implemented in FY 2025-26. See Table 1 below.
6. Budget development required a \$326K (.41%) reductions from FY 2025-26 levels.

Table 1

FY 2026-27 Permanent Regular General Fund Budget by Division					
Division	FY 2025-26 Permanent		FY 2026-27		Variance
	Budget	Net Adjustments	FY 2026-27	FY 2025-26 to FY	2026-27
President	\$ 2,629,496	\$ 276,252	\$ 2,905,748		10.5%
Provost & Academic Affairs	40,506,565	2,406,244	42,912,809		5.9%
Student Affairs	3,573,092	66,533	3,639,625		1.9%
Enrollment Management	6,356,009	152,751	6,508,760		2.4%
Finance and Administration	17,301,562	690,547	17,992,109		4.0%
Advancement & Marketing	2,309,483	(17,206)	2,292,277		-0.7%
Institutional General	3,252,785	-	3,252,785		0.0%
University Health & Wellness	168,157	(716)	167,441		-
Total	\$ 76,097,149	\$ 3,574,405	\$ 79,671,554		4.7%

7. Estimated salary increases and related OPE for faculty and staff were budgeted in pools for FY 2026-27. All administrative adjustments are contingent upon available funds. Salary recapture of \$3.5M was budgeted, consistent with prior years' budget and actual recapture. See Table 2 below.
8. Any new strategic investments will be contingent upon budget savings achieved during the year. The operating contingency will continue to be used for adjustments as necessary and will be utilized at the discretion of the President.
9. Special General Fund operations, excluding Boeing, Advanced College Placement, Sponsored Projects and Grants Administration and Distance Education established their own revenue targets and are expected to manage expenses within those revenue targets or adjust expenses downward during the year. See Table 2 below.

Budget Risks

With enrollment still significantly below the levels of just a few years ago, despite two successive years of moderate growth, the university continues to face budget challenges in FY 2026-27 with little opportunity for new investment in programs and services to support students. Enrollment growth continues to be essential, especially in view of ongoing state funding shortfalls in the Public University Support Fund (PUSF) relative to required University Base Funding (UBF). These challenges continue to be addressed through comprehensive scenario planning and strategic initiatives. Risks include, but are not limited to:

- Achieving enrollment projections, reaching satisfactory housing occupancy numbers to support bond debt service payments.
- Improving student retention, meeting research and clinical activities targets.
- Labor relations outcomes that pose unrealistic and unsustainable increases in labor costs.
- Changes in Oregon public policy, tax structures or economic performance.
- State priorities and competing demands on resources from other sectors in the economy that could impact higher education funding.

- Ongoing review and possible redesign of the Student Success and Completion Model (SSCM) that may change Oregon Tech’s share of the PUSF.
- Impact of HB 4124 public university funding and alignments.

Table 2

FY 2026-27 General Fund Budget			
	FY 2025-26	FY 2026-27	Variance FY 2025-26 to FY 2026-27
Revenues			
State Appropriations	\$ 38,572,985	\$ 39,890,089	3.4%
Tuition and Fees (less special general funds)	42,250,112	45,445,626	7.6% (1)
Remissions	(7,906,782)	(8,615,817)	9.0% (2)
Other Revenues (less special general funds)	2,853,409	2,423,327	-15.1% (3)
Special General Fund Revenues	<u>2,176,448</u>	<u>2,360,686</u>	8.5%
Total Budgeted Revenues	<u>\$ 77,946,172</u>	<u>\$ 81,503,911</u>	4.6%
Expenses			
Permanent Budget	\$ 76,097,149	\$ 79,671,554	4.7%
Salary Recapture	(3,500,000)	(3,500,000)	0.0%
Special General Fund Expenses	2,176,448	2,360,686	8.5%
Contingency Reserve	560,000	560,000	0.0% (4)
Administrative Salary Pool (effective January 1, 2027)	875,748	311,766	-64.4% (5)
Faculty Salary Pool (effective Jan/Feb 1, 2027)	726,315	702,130	-3.3% (6)
Classified Salary Pool	-	620,761	- (7)
Strategic Investments	<u>1,010,512</u>	<u>777,013</u>	-23.1%
Total Budgeted Expenses	<u>\$ 77,946,172</u>	<u>\$ 81,503,911</u>	4.6%
Net from Operations Before			
Other Resources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	
Other Resources (Uses)			
Use of Reserve		<u>-</u>	
Total from Operations and			
Other Resources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	
<p>(1) Tuition revenue projections are based on an estimated 1.0% increase in student credit hours and a 4.0% increase in tuition rates.</p> <p>(2) Budgeted remissions reflect the continuation of updated eligibility criteria and increased award amounts.</p> <p>(3) The decrease in Other Revenue reflects revenue projections for FY 2026–27 in various categories.</p> <p>(4) The contingency fund is budgeted at 0.7% of operating revenue.</p> <p>(5) The administrative staff salary pool includes a contingency budget for FY 2026-27 mid-year salary increases.</p> <p>(6) The faculty salary pool includes funding for January 1, 2027 salary adjustments (per the AAUP CBA) and faculty promotions.</p> <p>(7) The classified salary pool includes an estimated contingency budget for a COLA and projected step increases. SEIU negotiations are underway.</p>			

Fund Balance

The reserve balance at FYE 2025-26 is expected to total about \$14.7M or approximately 19% of operating revenue. With the recommended FY 2026-27 budget, the ending reserve balance for FY 2026-27 is expected to remain basically the same. This reserve percentage is slightly above the amount required by Board Policy and is within the range that the Board has defined as acceptable.

Summary

Although Oregon Tech has reached a realistic and balanced budget for FY 2026-27, the lack of significant additional revenue for budget growth to support investment in new initiatives and innovation remains a concern and is resulting primarily from the continual effect of lower enrollment than just a few years ago along with escalating labor and benefits costs. When combined with limited growth in state funding, these elements cause pressure on overall financial resources. Despite these challenges, Oregon Tech remains committed to addressing enrollment growth through expanded strategies to support outreach and targeted marketing efforts, while continuing focused retention initiatives and development of strong student pipeline programs.

A few years ago, during a period of enrollment decline lasting three years, divisional budgets were strategically reduced to help stabilize spending within available revenues. This required a comprehensive review of all departmental budgets, prioritizing essential services and programs and identifying areas where reductions could be made with minimal impact on the core mission of the university. Although most of these reductions have not been restored, through collaboration and careful fiscal responsibility, we are positioned to continue providing quality academic programs that support student success.

Recommendation:

After review and discussion of the proposed FY 2026-27 All-funds Budget documents, **staff requests a Motion by the Finance and Facilities Committee Recommending Approval by the full Board of the FY 2026-27 All-funds Budget as provided herein.**

Attachments:

Auxiliary, Designated Operations and Service Fund Budget Overview

AttachmentAuxiliary, Designated Operations and Service Fund Budget Overview

FY 2026-27 Non E&G Funds Budget
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	Auxiliary	Designated	Service
Revenues			
Academic Affairs (HAS only)	\$ 120,000	\$ -	\$ -
Student Affairs	12,082,318	-	-
Finance & Administration	3,835,595	3,760	215,660
OMIC	941,000	-	-
Total Revenues	\$ 16,978,913	\$ 3,760	\$ 215,660
Expenses			
Academic Affairs (HAS only)	\$ 288,025	\$ -	\$ -
Student Affairs	14,849,930	-	-
Finance & Administration	3,374,724	2,800	409,100
OMIC	350,000	-	-
Total Expenses	\$ 18,862,679	\$ 2,800	\$ 409,100
Transfers Out (In)			
Academic Affairs (HAS only) ⁽¹⁾	\$ (168,025)	\$ -	\$ -
Student Affairs ⁽²⁾	(2,767,612)	-	-
Finance & Administration ⁽³⁾	500,000	-	(193,440)
OMIC	591,000	-	-
Total Expenses and Transfers	\$ (1,844,637)	\$ -	\$ (193,440)
Net	\$ (39,129)	\$ 960	\$ -

(1). Academic Affairs auxiliary transfers in represent drawdowns from reserve funds to cover the operating deficit; the Dental Hygiene clinic model remains under review.

(2). Student Affairs auxiliary transfers in represent E&G support for Athletics and drawdowns from reserve funds in support of the new student housing project.

(3). Finance & Administration service fund deficit is covered through a below-the-line use of reserve to restore balance.

4.2

Recommendation for Board Debt Policy Revision

**Board Policy on Debt Management
Board of Trustees of Oregon Institute of Technology**

1.0 Authority of the Board of Trustees

1.1 Under ORS 352.107, Oregon Institute of Technology is authorized to borrow money and incur debt. Also, under ORS 351.365 to 351.379, the University is eligible to continue to receive proceeds from state bonds, or issue its own revenue bonds, or both, subject to the requirements of those statutes.

1.2 With this new authority, Oregon Tech is responsible for the management of its debt portfolio and to ensure compliance with applicable compliance requirements.

2.0 Previous Rules and Policies

This policy supersedes the following Oregon University System rules and policies, which shall have no further effect at the University: Debt Policy, approved March 1, 2010; and Interest Rate Risk Management Policy, approved March 1, 2010.

3.0 Purpose

This policy sets forth the principles that will govern the use of debt to finance University capital projects and assigns responsibilities for the management of University debt. This policy describes the framework for approving debt financing for projects and for managing the University's debt capacity and debt affordability, which are important tools for furthering the University's mission.

The University seeks to achieve the lowest cost of capital that is consistent with its risk tolerance and the principal of intergenerational equity. While the Debt Management Policy is a stand-alone policy, it should be considered in conjunction with liquidity and investment policies.

4.0 Definitions

4.1 **"Bank Products"** means financing obtained from banks or other third parties, rather than through capital markets, such as a line of credit.

4.2 **"Board"** means the Oregon Institute of Technology Board of Trustees or the Executive and Audit Committee when authorized to act on behalf of the Board of Trustees.

4.3 **"Commercial Paper"** is a form of short-term unsecured debt that is issued in tranches with maturities of 1-270 days and which must be redeemed or rolled over at maturity.

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Commercial Paper may provide interim financing for projects in anticipation of philanthropy, planned issuance of long-term debt or other sources of funds.

4.4 **"State-Paid Debt"** means borrowings that are expected to be repaid from state appropriations. This includes Article XI-G Bonds, Article XI-M Bonds, certain Article XI-Q Bonds, Lottery Bonds, and certain State Energy Loan Program (SELP) loans.

4.5 **"University-Paid Debt"** means borrowings that are expected to be repaid from revenues of the University. This includes Article XI-F(I) Bonds, certain Article XI-Q Bonds, certain SELP loans, Revenue Bonds, Bank Products, Commercial Paper, and alternative financing structures, such as public-private partnerships, that would be either included in the University's balance sheet or considered on-credit by rating agencies.

4.6 **"Internal Financing"** means the short-term loaning of University funds for use on a particular University project. Internal Financing may be utilized for emergency physical plant needs or for other purposes, such as to provide matching funds for Article XI-G Bonds in anticipation of philanthropy.

4.7 **"Revenue Bonds"** means bonds issued by the University based on its own credit rating. For the purpose of this policy, Revenue bonds includes all debt, obligations, or extensions of credit incurred or received by the University, both short- and long-term, that are not Article XI-F(I) Bonds, Article XI-G Bonds, Article XI-M Bond, Article XI-Q Bonds, Lottery Bonds, or SELP loans. Revenue Bonds may be backed by a general or specific revenue pledge of the University and do not require legislative approval.

5.0 Roles and Responsibilities

5.1 The Board of Trustees retains authority and responsibility for:

- 5.1.1 Reviewing and approving capital projects in an amount greater than \$1 million, regardless of source of funding or consideration of debt financing.
- 5.1.2 Reviewing and approving any debt financing in an amount greater than \$1 million.
- 5.1.3 Reviewing and approving land and improvement leases with a total consideration exceeding \$1 million or a lease term over 15 years.
- 5.1.4 Approving this policy, amending this policy as necessary, and reviewing this policy at least every five years.

5.2 The Board delegates to the President, who may further delegate to the Vice President for Finance and Administration, authority and responsibility for:

- 5.2.1 Implementing this policy.
- 5.2.2 Reviewing and approving, provided that doing so is consistent with sound fiscal management and consistent with the ratios defined in Section 7.0 of this policy

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and the President or the President's delegate has a good-faith belief that doing so is consistent with best interests of the University:

- 5.2.2.1 capital projects in an amount up to \$1 million, regardless of source of funding or consideration of debt financing;
 - 5.2.2.2 debt financing in an amount up to \$1 million; and
 - 5.2.2.3 land and improvement leases with a total consideration up to \$1 million or a lease term up to 15 years.
- 5.2.3 Establishing a comprehensive compliance program for debt management and post-issuance compliance. Such a program is to clearly assign responsibilities within the University, require the prudent investment of unspent bond funds, and require regular monitoring to satisfy continuing disclosure requirement and ensure compliance with this policy, bond resolutions, bond covenants, and applicable laws, regulations and other requirements. This program must include a post-issuance compliance policy addressing legal requirements imposed by the Securities and Exchange Commission and Internal Revenue Service and all other relevant laws relating to the use of debt, particularly tax-advantaged debt. The post-issuance compliance policy must include, at a minimum, the procedures and systems used to monitor compliance, the responsibilities of the compliance officer, private use and arbitrage analysis requirements, and records management and retention guidelines.
- 5.2.4 Retaining expert advisors, including bond counsel, financial advisors, underwriters, paying agents, and other related service providers in connection with the use, issuance and management of university debt. The solicitation and selection process for such services will comply with the University's procurement requirements. The retention of such advisors should be reconsidered at least every five years.
- 5.2.5 Analyzing and presenting recommendations to the Board in connection with each proposed debt financing transaction reviewed by or submitted to the Board for approval, after (1) identification of the source of repayment for each project, together with proforma financial statements and related assumptions, and (2) consideration of internal coverage requirements for each project and/or auxiliary providing repayment.
- 5.2.6 Pricing of Revenue Bonds, recognizing that the Oregon State Treasurer possesses authority to price debt issued as part of the debt programs administered by the State.
- 5.2.7 For previously issued state general obligation bonds from which University received proceeds, approval of refunding opportunities determined by the State Treasurer to be in the best interests of the State of Oregon.
- 5.2.8 Overseeing management of daily activities relating to debt use, management and issuance.
- 5.2.9 Entering into or endorsing reimbursement resolutions, authorization resolutions, and such other documents as may be necessary for any debt issuance previously authorized by the Board, the President, or the President's delegate.
- 5.2.10 Approving Internal Financings up to limit provided in Section 8.0 of this policy.

6.0 Conditions Governing Issuance of Debt

6.1 The University may use debt financing for academic, administrative, and auxiliary facilities and equipment, as well as any other infrastructure needs or property acquisitions, that are consistent with the University's mission and strategic priorities and part of the University's capital plan.

6.2 No University-Paid Debt or State-Paid Debt in an amount greater than \$1 million will be issued or sought without prior approval of the Board, including land and improvement leases with total payments greater than \$1 million over the term of the lease. When the University issues or seeks University-Paid Debt, the Board's authorizing resolution will generally include its finding, based on an analysis of debt affordability and capacity, that the financed project is both self-liquidating and self-supporting. The Board may make exceptions for projects that further the University's mission, even if not self-liquidating and self-supporting, taking into consideration other unobligated and legally-available revenues of the University.

6.3 No University-Paid Debt in an amount greater than \$1 million will be issued or sought without prior analysis and notification to the Board of all covenants associated with such issue.

6.4 University-Paid Debt may be repaid from general revenues of the University or may be secured by a specified revenue stream.

6.5 When issuing or seeking University-Paid Debt or State-Paid Debt:

- 6.5.1 The University will evaluate the form of debt that is best suited for the project, taking into consideration debt-type characteristics, costs and risks.
- 6.5.2 The University will seek the lowest available cost of capital, taking into consideration administrative capacity, the University's risk tolerance, and the need to sustain adequate flexibility to allow the University to achieve its strategic goals.
- 6.5.3 The University will determine whether to issue debt through the State (if eligible) or independently, taking into consideration the cost of capital, financial flexibility and the use of debt capacity.
- 6.5.4 The University will identify a source of repayment and demonstrate that sufficient revenues are available to support debt service over the life of the financing.
- 6.5.5 The maturity and term of debt repayment will be determined based on the expected availability of resources, other long term goals and obligations of the borrowing unit and the University, the useful life of the assets being financed, and market conditions at the time of financing. The term of a debt financing will not exceed 1.2 times the estimated useful life of the property and equipment being financed.

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- 6.5.6 If debt is issued through the State, the University will adhere to the requirements set forth by the State.
- 6.5.7 As long as the University intends to remain eligible to receive proceeds from Article XI(F)(1) Bonds or Article XI-Q Bonds to be repaid in whole or in part from University revenues or other moneys under control of the University, the University will not issue Revenue Bonds without first obtaining the approval of the State Treasurer, as provided in ORS 351.369.
- 6.5.8 The University will utilize tax-advantaged debt when legally possible and reasonable and when tax-advantaged debt does not unnecessarily restrict the anticipated usage of the financed facilities. Projects financed with tax-advantaged debt will be identified and tracked to ensure compliance with all tax and reimbursement regulations. Taxable debt will be utilized when the project does not qualify for tax-advantaged debt. The University will aim to amortize any taxable debt before any tax-advantaged debt if that reduces the overall debt cost of the University.
- 6.5.9 In general, fixed-rate debt will be utilized. However, the University may utilize variable-rate debt when appropriate for a particular financing plan, taking into consideration bond market conditions, the University's liquidity position, and risks associated with variable-rate debt (including interest rate risk, remarketing risk and liquidity renewal risk). The University will not issue more than 20% variable-rate debt (including synthetic fixed-rate debt) as a percentage of all University-Paid Debt.
- 6.5.10 Financial covenants and restrictions will be minimized to the extent possible, taking into consideration the long-term capital requirements of the University.
- 6.5.11 The University will use reasonable efforts to utilize debt which provides for sufficient ability to refinance if market conditions or other factors warrant that action. Refinancing may be appropriate if doing so relieves the University of covenants, payment obligations, constraints or reserve requirements that limit flexibility, consolidates debt into a general revenue pledge, or reduces the cost and administrative burden of managing small outstanding obligations. The University recognizes that the Oregon State Treasurer retains authority to refinance debt issued as part of the debt programs administered by the State.

6.6 The University will not enter into any derivative transactions without first adopting a derivatives policy.

7.0 Debt Ratios

7.1 Debt capacity is a subjective measure, typically associated with balance sheet strength and the ability to repay debt on demand. The University's risk tolerance will inform the amount of leverage that can comfortably be assumed.

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7.2 Debt affordability is also a subjective measure and typically associated with income statement strength. Operating performance and the ability to meet debt service requirements will inform the affordability of existing and additional debt.

7.3 The University recognizes that its strategy and mission must be the primary drivers of its capital investment and use of debt. Although external credit ratings provide a view on debt capacity and affordability, the University does not manage its debt portfolio to achieve a specific rating. Success in achieving University objectives will over time result in a stronger financial profile and higher ratings.

7.4 The University will monitor five financial ratios to assist the Board in evaluating debt capacity and affordability, as described below.

7.4.1 Viability Ratio (balance sheet leverage ratio)

Expendable Resources (including available resources of the Oregon Tech Foundation) / Debt

Measures the ability to repay debt with financial resources and the ability to use debt to strategically advance the University's mission

7.4.2 Primary Reserve Ratio (income statement leverage ratio)

Expendable Resources (including available resources of the Oregon Tech Foundation) / Total Expenditures

Measures whether financial resources are sufficient and flexible enough to support the University's mission

7.4.3 Debt Burden Ratio (affordability ratio)

Debt Service / Total Expenditures Minus Depreciation Plus Principal Payments

Measures the University's dependence on debt to finance its mission and the relative cost of borrowing to overall expenditures

Guideline maximum debt burden ratio= 7%

7.4.4 Debt Service Coverage (affordability ratio)

3-Year Average Net Operating Income Plus Non-Operating Revenues Plus Interest and Depreciation / Debt Service

Measures the sufficiency of operations on a cash flow basis to cover debt service

7.4.5 Debt / Revenues (income statement leverage and affordability ratio)

Measures the amount of leverage relative to the size of operations

7.5 All ratio calculations will be based on industry standards and include all "direct debt" such as bonds, bank debt, and any off-balance sheet or similar financing structures that would be considered on-credit

Indirect debt, such as leases and software agreements as defined by GASB Statements No. 87 and No. 96, respectively, is excluded from the above calculations. However, indirect debt is considered

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part of the University's "comprehensive debt", which is a broader measure of the University's debt obligations. The University recognizes that the use of indirect debt has an impact on debt capacity and affordability.

8.0 Internal Financings

Internal Financing may be used when it is determined to be the most appropriate and cost-efficient mechanism for meeting certain financing needs. Unless authorized by the Board, the total value of Internal Financings shall not exceed 10% of the core cash balance of the University's general operating bank account, as projected annually. If the core cash balance of the University's general operating bank account is projected to be inadequate to cover liquidity requirements for any 30-day period in the following 12 months, no Internal Financing will be permitted unless approved by the Board. The maximum term of any single Internal Financing shall not exceed three (3) years.

9.0 Short-Term Financings

The University will not issue Commercial Paper or enter into other short-term financing arrangements using Bank Products without first adopting a Short-Term Financings Policy and seeking input from a consultant with expertise with short-term financing products.

10.0 Reporting Requirements

The Board's Finance and Administration Committee is to be provided a detailed report and update including:

10.1 At least annually or when additionally requested, all outstanding University-Paid Debt and State-Paid Debt (by type, purpose and repayment source, where applicable).

10.2 At least annually or when additionally requested, the amount of outstanding principal, interest rates, maturity dates, debt service requirements and changes in outstanding debt since the previous year's report.

10.3 Upon the release of annual audited financial statements, the debt ratios identified in Section 8.0 above.

10.4 At least annually or when additionally requested, for any variable rate debt, the status and remaining term of any letter of credit or similar liquidity source.

10.5 At least quarterly or when additionally requested, any known or anticipated new debt issuance, use of Internal Financing mechanisms, or accessing of Short-Term Financings regardless of value.

10.6 Significant restructuring or refinancing opportunities.

**Board Policy on Debt Management
Board of Trustees of Oregon Institute of Technology**

1.0 Authority of the Board of Trustees

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4.0 Definitions

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4.2 **"Board"** means the Oregon Institute of Technology Board of Trustees or the Executive and Audit Committee when authorized to act on behalf of the Board of Trustees.

4.3 **"Commercial Paper"** is a form of short-term unsecured debt that is issued in tranches with maturities of 1-270 days and which must be redeemed or rolled over at maturity.

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Commercial Paper may provide interim financing for projects in anticipation of philanthropy, planned issuance of long-term debt or other sources of funds.

4.4 **"State-Paid Debt"** means borrowings that are expected to be repaid from state appropriations. This includes Article XI-G Bonds, Article XI-M Bonds, certain Article XI-Q Bonds, Lottery Bonds, and certain State Energy Loan Program (SELP) loans.

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4.6 **"Internal Financing"** means the short-term loaning of University funds for use on a particular University project. Internal Financing may be utilized for emergency physical plant needs or for other purposes, such as to provide matching funds for Article XI-G Bonds in anticipation of philanthropy.

4.7 **"Revenue Bonds"** means bonds issued by the University based on its own credit rating. For the purpose of this policy, Revenue bonds includes all debt, obligations, or extensions of credit incurred or received by the University, both short- and long-term, that are not Article XI-F(I) Bonds, Article XI-G Bonds, Article XI-M Bond, Article XI-Q Bonds, Lottery Bonds, or SELP loans. Revenue Bonds may be backed by a general or specific revenue pledge of the University and do not require legislative approval.

5.0 Roles and Responsibilities

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- 5.1.3 Reviewing and approving land and improvement leases with a total consideration exceeding \$1 million or a lease term over 15 years.
- 5.1.4 Approving this policy, amending this policy as necessary, and reviewing this policy at least every five years.

5.2 The Board delegates to the President, who may further delegate to the Vice President for Finance and Administration, authority and responsibility for:

- 5.2.1 Implementing this policy.
- 5.2.2 Reviewing and approving, provided that doing so is consistent with sound fiscal management and consistent with the ratios defined in Section 7.0 of this policy

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and the President or the President's delegate has a good-faith belief that doing so is consistent with best interests of the University:

- 5.2.2.1 capital projects in an amount up to \$1 million, regardless of source of funding or consideration of debt financing;
 - 5.2.2.2 debt financing in an amount up to \$1 million; and
 - 5.2.2.3 land and improvement leases with a total consideration up to \$1 million or a lease term up to 15 years.
- 5.2.3 Establishing a comprehensive compliance program for debt management and post-issuance compliance. Such a program is to clearly assign responsibilities within the University, require the prudent investment of unspent bond funds, and require regular monitoring to satisfy continuing disclosure requirement and ensure compliance with this policy, bond resolutions, bond covenants, and applicable laws, regulations and other requirements. This program must include a post-issuance compliance policy addressing legal requirements imposed by the Securities and Exchange Commission and Internal Revenue Service and all other relevant laws relating to the use of debt, particularly tax-advantaged debt. The post-issuance compliance policy must include, at a minimum, the procedures and systems used to monitor compliance, the responsibilities of the compliance officer, private use and arbitrage analysis requirements, and records management and retention guidelines.
- 5.2.4 Retaining expert advisors, including bond counsel, financial advisors, underwriters, paying agents, and other related service providers in connection with the use, issuance and management of university debt. The solicitation and selection process for such services will comply with the University's procurement requirements. The retention of such advisors should be reconsidered at least every five years.
- 5.2.5 Analyzing and presenting recommendations to the Board in connection with each proposed debt financing transaction reviewed by or submitted to the Board for approval, after (1) identification of the source of repayment for each project, together with proforma financial statements and related assumptions, and (2) consideration of internal coverage requirements for each project and/or auxiliary providing repayment.
- 5.2.6 Pricing of Revenue Bonds, recognizing that the Oregon State Treasurer possesses authority to price debt issued as part of the debt programs administered by the State.
- 5.2.7 For previously issued state general obligation bonds from which University received proceeds, approval of refunding opportunities determined by the State Treasurer to be in the best interests of the State of Oregon.
- 5.2.8 Overseeing management of daily activities relating to debt use, management and issuance.
- 5.2.9 Entering into or endorsing reimbursement resolutions, authorization resolutions, and such other documents as may be necessary for any debt issuance previously authorized by the Board, the President, or the President's delegate.
- 5.2.10 Approving Internal Financings up to limit provided in Section 8.0 of this policy.

6.0 Conditions Governing Issuance of Debt

6.1 The University may use debt financing for academic, administrative, and auxiliary facilities and equipment, as well as any other infrastructure needs or property acquisitions, that are consistent with the University's mission and strategic priorities and part of the University's capital plan.

6.2 No University-Paid Debt or State-Paid Debt in an amount greater than \$1 million will be issued or sought without prior approval of the Board, including land and improvement leases with total payments greater than \$1 million over the term of the lease. When the University issues or seeks University-Paid Debt, the Board's authorizing resolution will generally include its finding, based on an analysis of debt affordability and capacity, that the financed project is both self-liquidating and self-supporting. The Board may make exceptions for projects that further the University's mission, even if not self-liquidating and self-supporting, taking into consideration other unobligated and legally-available revenues of the University.

6.3 No University-Paid Debt in an amount greater than \$1 million will be issued or sought without prior analysis and notification to the Board of all covenants associated with such issue.

6.4 University-Paid Debt may be repaid from general revenues of the University or may be secured by a specified revenue stream.

6.5 When issuing or seeking University-Paid Debt or State-Paid Debt:

- 6.5.1 The University will evaluate the form of debt that is best suited for the project, taking into consideration debt-type characteristics, costs and risks.
- 6.5.2 The University will seek the lowest available cost of capital, taking into consideration administrative capacity, the University's risk tolerance, and the need to sustain adequate flexibility to allow the University to achieve its strategic goals.
- 6.5.3 The University will determine whether to issue debt through the State (if eligible) or independently, taking into consideration the cost of capital, financial flexibility and the use of debt capacity.
- 6.5.4 The University will identify a source of repayment and demonstrate that sufficient revenues are available to support debt service over the life of the financing.
- 6.5.5 The maturity and term of debt repayment will be determined based on the expected availability of resources, other long term goals and obligations of the borrowing unit and the University, the useful life of the assets being financed, and market conditions at the time of financing. The term of a debt financing will not exceed 1.2 times the estimated useful life of the property and equipment being financed.

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- 6.5.6 If debt is issued through the State, the University will adhere to the requirements set forth by the State.
- 6.5.7 As long as the University intends to remain eligible to receive proceeds from Article XI(F)(1) Bonds or Article XI-Q Bonds to be repaid in whole or in part from University revenues or other moneys under control of the University, the University will not issue Revenue Bonds without first obtaining the approval of the State Treasurer, as provided in ORS 351.369.
- 6.5.8 The University will utilize tax-advantaged debt when legally possible and reasonable and when tax-advantaged debt does not unnecessarily restrict the anticipated usage of the financed facilities. Projects financed with tax-advantaged debt will be identified and tracked to ensure compliance with all tax and reimbursement regulations. Taxable debt will be utilized when the project does not qualify for tax-advantaged debt. The University will aim to amortize any taxable debt before any tax-advantaged debt if that reduces the overall debt cost of the University.
- 6.5.9 In general, fixed-rate debt will be utilized. However, the University may utilize variable-rate debt when appropriate for a particular financing plan, taking into consideration bond market conditions, the University's liquidity position, and risks associated with variable-rate debt (including interest rate risk, remarketing risk and liquidity renewal risk). The University will not issue more than 20% variable-rate debt (including synthetic fixed-rate debt) as a percentage of all University-Paid Debt.
- 6.5.10 Financial covenants and restrictions will be minimized to the extent possible, taking into consideration the long-term capital requirements of the University.
- 6.5.11 The University will use reasonable efforts to utilize debt which provides for sufficient ability to refinance if market conditions or other factors warrant that action. Refinancing may be appropriate if doing so relieves the University of covenants, payment obligations, constraints or reserve requirements that limit flexibility, consolidates debt into a general revenue pledge, or reduces the cost and administrative burden of managing small outstanding obligations. The University recognizes that the Oregon State Treasurer retains authority to refinance debt issued as part of the debt programs administered by the State.

6.6 The University will not enter into any derivative transactions without first adopting a derivatives policy.

7.0 Debt Ratios

7.1 Debt capacity is a subjective measure, typically associated with balance sheet strength and the ability to repay debt on demand. The University's risk tolerance will inform the amount of leverage that can comfortably be assumed.

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7.2 Debt affordability is also a subjective measure and typically associated with income statement strength. Operating performance and the ability to meet debt service requirements will inform the affordability of existing and additional debt.

7.3 The University recognizes that its strategy and mission must be the primary drivers of its capital investment and use of debt. Although external credit ratings provide a view on debt capacity and affordability, the University does not manage its debt portfolio to achieve a specific rating. Success in achieving University objectives will over time result in a stronger financial profile and higher ratings.

7.4 The University will monitor five financial ratios to assist the Board in evaluating debt capacity and affordability, as described below.

7.4.1 Viability Ratio (balance sheet leverage ratio)

Expendable Resources (including available resources of the Oregon Tech Foundation) / Debt

Measures the ability to repay debt with financial resources and the ability to use debt to strategically advance the University's mission

7.4.2 Primary Reserve Ratio (income statement leverage ratio)

Expendable Resources (including available resources of the Oregon Tech Foundation) / Total Expenditures

Measures whether financial resources are sufficient and flexible enough to support the University's mission

7.4.3 Debt Burden Ratio (affordability ratio)

Debt Service / Total Expenditures Minus Depreciation Plus Principal Payments

Measures the University's dependence on debt to finance its mission and the relative cost of borrowing to overall expenditures

Guideline maximum debt burden ratio= 7%

7.4.4 Debt Service Coverage (affordability ratio)

3-Year Average Net Operating Income Plus Non-Operating Revenues Plus Interest and Depreciation / Debt Service

Measures the sufficiency of operations on a cash flow basis to cover debt service

7.4.5 Debt / Revenues (income statement leverage and affordability ratio)

Measures the amount of leverage relative to the size of operations

7.5 All ratio calculations will be based on industry standards and include all "direct debt" such as bonds, bank debt, and any off-balance sheet or similar financing structures that would be considered on-credit

Indirect debt, such as leases and software agreements as defined by GASB Statements No. 87 and No. 96, respectively, is excluded from the above calculations. However, indirect debt is considered

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part of the University's "comprehensive debt", which is a broader measure of the University's debt obligations. The University recognizes that the use of indirect debt has an impact on debt capacity and affordability.

8.0 Internal Financings

Internal Financing may be used when it is determined to be the most appropriate and cost-efficient mechanism for meeting certain financing needs. Unless authorized by the Board, the total value of Internal Financings shall not exceed 10% of the core cash balance of the University's general operating bank account, as projected annually. If the core cash balance of the University's general operating bank account is projected to be inadequate to cover liquidity requirements for any 30-day period in the following 12 months, no Internal Financing will be permitted unless approved by the Board. The maximum term of any single Internal Financing shall not exceed three (3) years.

9.0 Short-Term Financings

The University will not issue Commercial Paper or enter into other short-term financing arrangements using Bank Products without first adopting a Short-Term Financings Policy and seeking input from a consultant with expertise with short-term financing products.

10.0 Reporting Requirements

The Board's Finance and Administration Committee is to be provided a detailed report and update including:

10.1 At least annually or when additionally requested, all outstanding University-Paid Debt and State-Paid Debt (by type, purpose and repayment source, where applicable).

10.2 At least annually or when additionally requested, the amount of outstanding principal, interest rates, maturity dates, debt service requirements and changes in outstanding debt since the previous year's report.

10.3 Upon the release of annual audited financial statements, the debt ratios identified in Section 8.0 above.

10.4 At least annually or when additionally requested, for any variable rate debt, the status and remaining term of any letter of credit or similar liquidity source.

10.5 At least quarterly or when additionally requested, any known or anticipated new debt issuance, use of Internal Financing mechanisms, or accessing of Short-Term Financings regardless of value.

10.6 Significant restructuring or refinancing opportunities.