



Finances, Budget and Facilities

A Financial Reporting

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A Financial Reporting

Fund Accounting Principles and Objectives

Universities have unique obligations for accounting and financial reporting according to the sources of funds received and their subsequent net uses than just reporting net income to investors. Fund accounting is a method of segregating resources into categories to identify both the *source* and the *use* of the funds. Fund accounting principles used in higher education require that income be reported based on funding source and that expenditures be reported based on function or use. For example, resources are classified so that they comply with activities or objectives as specified by donors (scholarships), regulations (appropriations), restrictions, or limitations imposed by sources outside the institution. Fund uses are the expenses for a particular fund activity such as Oregon Tech's instructional programs. A key to understanding how funds can be used (spent) is knowing the purpose and restrictions of the source of funds. For example grant funds cannot typically be used for debt service payments.

The objectives of fund accounting includes accountability and

stewardship; determining financial condition; planning and budgeting; evaluating organization and managerial performance; determining and forecasting cash flow and communication. Fund accounting objectives assist with answering the questions for the Board such as:

- Is there documentation that funds were used properly?
- What can be done with the resource available?
- How much is needed to meet strategic goals?
- Is the University operating effectively and efficiently?
- How much cash is coming in, going out and how much is needed for contingencies?
- Is the financial information relevant, clear, reliable, timely and comparable and well communicated?

Although fund-based reporting is no longer required for external financial statements, the vast majority of higher education institutions still rely on fund accounting to manage resources.

Types of Funds

A fund is used by Universities to account for various financial activities of the institution. Funds are categorized according to their funding sources and how they typically operate. Funds with similar characteristics are combined into fund groups such as Education and General (E&G), plant funds and so forth. Within each fund, there are many separate accounts (indexes) to track both income and expense. Fund groups are like separate entities with self-balancing set of accounts (indexes) consisting of assets, liabilities, and fund balance (net worth). Oregon Tech has five basic Fund groups which include:

Education and General Fund (E&G)

These funds are used to support Oregon Tech's general educational operations, including faculty salaries, operating expenses of instructional departments, library operations and acquisitions, general administration, student services, campus security, operation and maintenance of educational and general buildings and facilities, as well as a limited number of special research units. Typically, state appropriations, tuition, and income from investments are the revenue sources.

Self-Support Funds

Auxiliary Enterprises—Activities related to entities that have been specifically designed as auxiliary enterprises, which exist primarily to provide goods and services to students, faculty, staff, and the general public. Auxiliary funds are affiliated with operations that are not directly part of the academic and research mission of the university. Principal auxiliary enterprises at Oregon Tech include Housing and Dining; Intercollegiate Athletics; College Union; Parking Services; Integrated Student Health Center and Student Activities. Auxiliaries are managed as essentially self-supporting operations. Funding originates from various sources, including fees charged for the goods and services provided, which may include mandatory and optional student fees.

Service Centers—Activities that provide goods and services essential in supporting the university's teaching and research functions, as well as central university operations. Income is primarily derived from charging other university departments at approved rates. Service centers operate on a break-even basis, are an ongoing activity, and are not used for one-time distribution of expenses. Expenditures must be directly related to the operation of the service center. Service centers are established to obtain operational efficiencies, eliminate duplication of effort, and provide access to specialized services and or products. Oregon Tech service centers include such services as Network and Telephone Services and Printing and Mailing Services

Designated Operations—Activities as designated by university officers for special purposes and are funded by external revenue (from sales and/or services), indirect cost return, and fees. Expenditure restrictions depend upon the source of funds. Examples include the non-credit instruction portion of field trips and community education (non-credit conferences, workshops, seminars). Oregon Tech Designated Funds are expected to operate as self-supporting activities.

Restricted Funds

Contracts and Grants - Funded by federal, state, local, and private grants; grants typically include a statement of work with identified deliverables and require contracts and specific financial reporting requirements. Expenditures must follow individual contract and grant guidelines.

Gift Funds - Funded by gifts received from a donor. The funds are restricted for use by a particular college or department, and or restricted for a specific purpose or program.

Loan Funds - Used to account for resources that may be loaned to students. As the principal is repaid, along with interest on the loan and any late charges, the principal will be returned to the loan fund account to be made available for additional loans.

Plant Funds

Unexpended Plant Funds are used for major new construction projects, as well as remodeling and renovations to existing buildings and grounds. Includes bond sale proceeds designated for specific capital and other legislatively approved projects. Also includes matching gift funds, other capital related gifts, and other revenue restricted to capital projects.

Investment in Plant – Includes fixed assets such as land, buildings (new, under-construction, or additions to existing in progress), building improvements, equipment, library books, art collections and the related debt.

Other Funds

Agency Funds – Funds temporarily held by the university as a custodian or fiscal agent for non-university entities, which support or enhance the mission of the university. There should be a mutual benefit in having the university act as fiscal agent for the funds.

Endowment Funds – Gifts for which donors have stipulated by terms of the gift instrument that the principal of the fund may, or may not be expendable and how endowment earnings may be spent. For permanent endowment funds, the principal is to remain untouched in perpetuity and is to be invested for the purpose of producing present and future income. Similarly, donors may have stipulated a restricted endowment fund in which the principal may be spent. Oregon Tech has one restricted endowment fund which is currently held by the Public University Fund. In July 2015 Oregon Tech will have the opportunity to control this endowment investment.

Clearing Funds – Used to hold temporary funds. Balances vary but are usually small at quarter end and zeroed out at year end.

Renewal and Replacement Reserves – Repair and replacement reserves used for building upgrades; parking lot improvements; equipment replacement so forth for service centers and auxiliary enterprises.

Descriptions

Sources of Funds

Type

Education & General (E&G)	E&G funds support Oregon Tech's general educational operations. Includes State general fund appropriations and student tuition and fees.	Tuition, which is a significant component of E&G, is received in an irregular pattern which spikes in late September, January, and late March. Meanwhile, associated operating expenses have more even pattern throughout the year with some reductions seen during the summer months.
Auxiliary Enterprises (AUX)	Housing, student centers, student activities, student incidental fees (expenditures authorized by student government), athletics, health services, parking, and other auxiliary enterprises. Also contains emergency reserves to cover debt service or unanticipated revenue shortfalls.	Auxiliary revenues tend to have various significant seasonal effects which correspond to the academic calendar or the season. Profits used for auxiliary capital improvements and furniture, fixture and equipment replacement and so forth. Funds moved to Repair and Renewal reserve funds.
Service Centers	Self-supporting internal service departments funded by charges to other funds for services provided such as mail and printing services.	Service centers are self-supporting but do not earn a profit.
Designated Operations	Funds used for special purposes such as non-credit instruction; unrestricted gifts, invention/ royalty funds and separately funded research.	Trending upward due to increased use of these programs.
Contracts, Grants and Gifts (Restricted)	Funds received as contracts, grants, cooperative agreements, gifts or other funds. These funds may come from federal or state entities, individuals, companies, nonprofits, or foundations. Federal grants are typically issued on a reimbursement basis so they carry a significant negative balance as Oregon Tech is awaiting the reimbursement.	Federal grants are received on a reimbursement basis. Research grants awarded to both campuses have increased markedly over the past five years. While the inflows and corresponding outflows may be larger, the nature of the funds is transitory.
Loan Funds - Student	Perkins loans, direct loans and other student loans.	Due to the nature of the transactions balances are transitory in nature.
Unexpended Plant Funds	Bond sale proceeds earmarked for specific capital and other legislatively approved projects. Used for all bonds (XI-F, XI-G, XI-Q, lottery and so forth). Also contains matching gift funds, other capital-related gifts, and other revenue restricted to capital projects.	Will trend upward with increased capital activity.
Agency Funds - non-Oregon Tech owned	Funds temporarily held by Oregon Tech but owed to outside parties such as: federal and state tax with-holdings, Medicare taxes, social security taxes, PEBB and other retirement contributions, and medical and healthcare premiums.	Typically these balances are high at month-end because Oregon Tech's monthly payroll date is at month-end. These funds are transitory in nature.
Endowment Funds	Cash holdings of the pooled endowment fund and do not represent a significant portion of Oregon Tech's Net Position. Currently, Oregon Tech does not have any permanent endowments. Endowment funds on-hand represent funds received that are restricted for certain University activities.	No particular trend. Endowments are periodically converted to cash to meet distribution needs or re-balance the portfolio.
Clearing Funds	Used to hold temporary funds. Balances vary but are usually small at quarter and are zeroed at year-end.	No particular trend. Clearing funds are transitory in nature.
Renewal & Replacement	Repair and replacement reserves transferred from service departments and auxiliary enterprises.	Tends to grow in tandem with the number of facilities, the age of each capital asset, and inflation.

Funding Sources

Oregon Tech relies on various resources for financial support. The most significant resources include state governmental appropriations and student tuition and fees (including need based financial aid). To a lesser extent gifts, grants, sponsorships and contracts, interest income, sales and services and other revenue are also received as available financial resources

Government Funding

Government funding includes state appropriations authorized by the State of Oregon for general operations of the University also referred to as Public University Funds plus local, state and federal grants and contracts.

Appropriations are provided through the legislative process to the seven public institutions as one allocation which includes amounts allocated to an institution for targeted and specific purposes. For fiscal year 2014-15, state appropriation has been allocated to each of the seven universities based on a revenue allocation model (RAM) developed by the Oregon University System (OUS) and approved and supported by the seven institutions. Beginning July 1, 2015 a new allocation model based on outcome parameters will be used under the direction of the Higher Education Coordinating Commission (HECC).

Most grants and contracts received include funds for direct and indirect costs. Direct costs represent the expenses incurred by Oregon Tech in undertaking the activities being supported by the grant or contract. These funds must be used exclusively for the purposes specified in the award. Typical direct costs include salary for the principal investigator, under graduate and graduate assistants assigned to the project, project supplies, travel and other operating expenses authorized under the award. The portion of the award related to indirect costs typically is calculated as a percentage of direct costs. The indirect costs are institutional expenses that are not directly related to the specific project but provide

necessary support. For example utilities, operating expenses such as employee benefits and accounting offices and the cost of maintaining the space in which the project is conducted.

Student Tuition and Fees

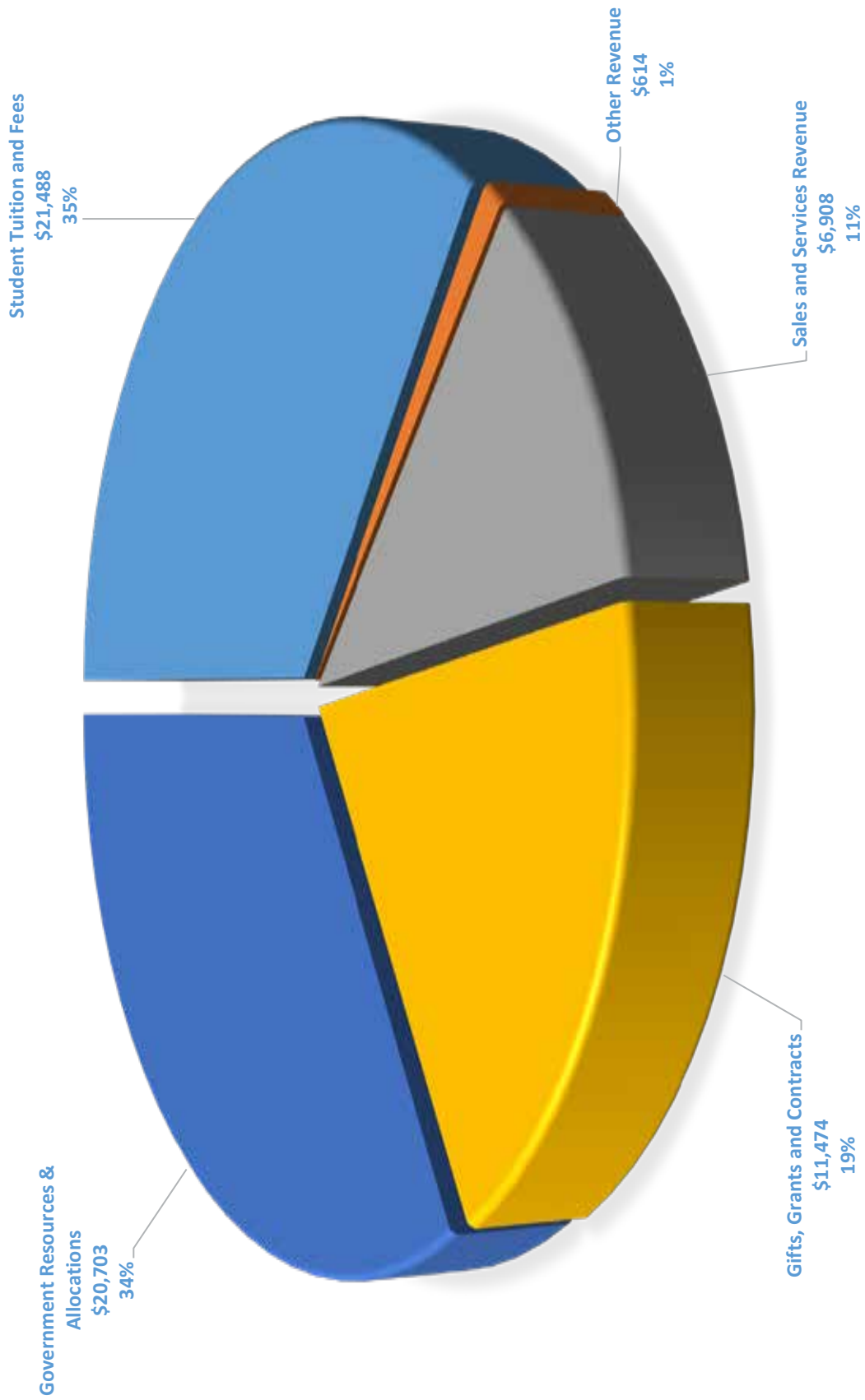
Tuition refers to the price of the instructional service rendered to students by Oregon Tech. Unlike most pricing of a service, tuition is designed to recover only a portion of the costs incurred in providing the service. Setting tuition in the public sector for Oregon Tech is often more complicated and indirect than in the private sector. There is also the added consideration of political concerns. Due to Oregon's budget process, during a biennium legislative year (e.g.2015) Oregon Tech may have to delay setting tuition rates until the legislature has determined the public higher education appropriation and obtained the governor's approval

Academic related fees on the other hand are set based on the actual costs of the special activity or service. Some fees are not necessarily linked to the total cost of the service but help to provide the resource to maintain or enhance the service. In addition to tuition, Oregon Tech also charges students mandatory fees to cover non-academic services, such as student recreational activities, debt service and self-support operations including the College Union and Student Health Center.

Other Revenues

Other revenues include gifts which are received from a donor through the Oregon Tech Foundation and are used by a particular college or department for a specific purpose or program based upon donor designation. Additional revenue comes from the sale of nonacademic goods and services via the bookstore (commissions); residence halls; room rental to outside entities and investment income generated from various funds with idle cash balances.

FUND SOURCES (ACTUAL) FOR ALL FUNDS FY14 (\$ IN THOUSANDS)

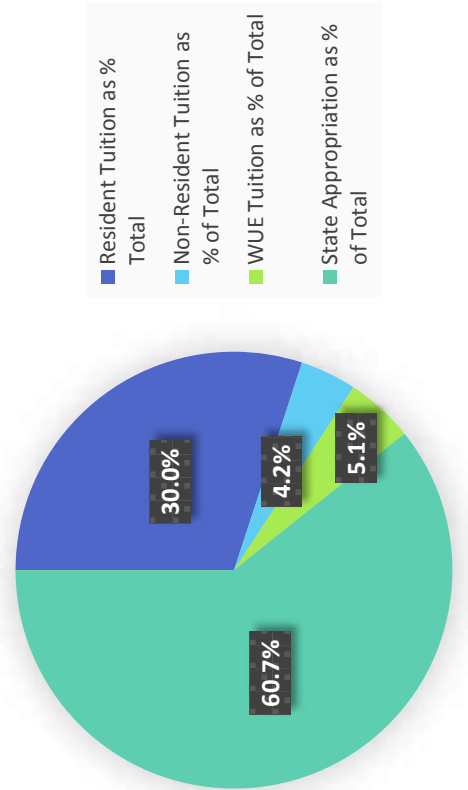


Tuition Analysis FY 2010 through FY 2014 (\$ in thousands)

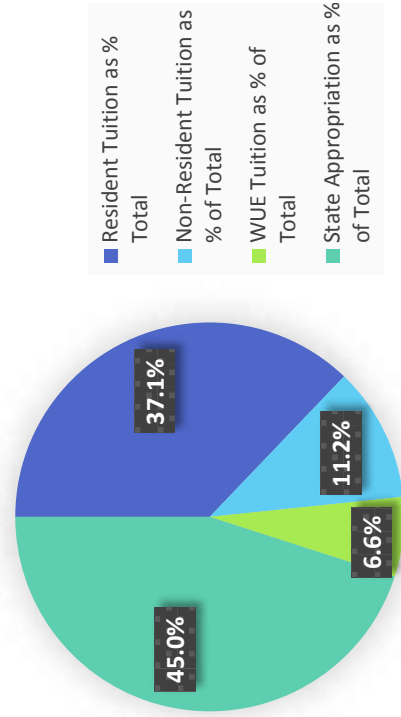
Fiscal Year	Resident Tuition	Non-Resident Tuition	WUE Tuition ¹	State Appropriation	Total Non-Resident, WUE & State Appropriation				Resident Tuition as % of Total	Non-Resident Tuition as % of Total	WUE Tuition as % of Total	State Appropriation as % of Total
					Appropriation	Appropriation	Appropriation	Total				
2010	9,637	1,337	1,623	19,481	32,078			30.0%	4.2%	5.1%		60.7%
2011	10,913	2,286	1,824	19,714	34,737			31.4%	6.6%	5.3%		56.8%
2012	11,916	2,876	1,902	15,290	31,984			37.3%	9.0%	5.9%		47.8%
2013	13,360	4,676	2,296	16,613	36,945			36.2%	12.7%	6.2%		45.0%
2014	15,017	4,530	2,670	18,207	40,424			37.1%	11.2%	6.6%		45.0%

¹ Western Undergraduate Exchange program reduced tuition for selected courses

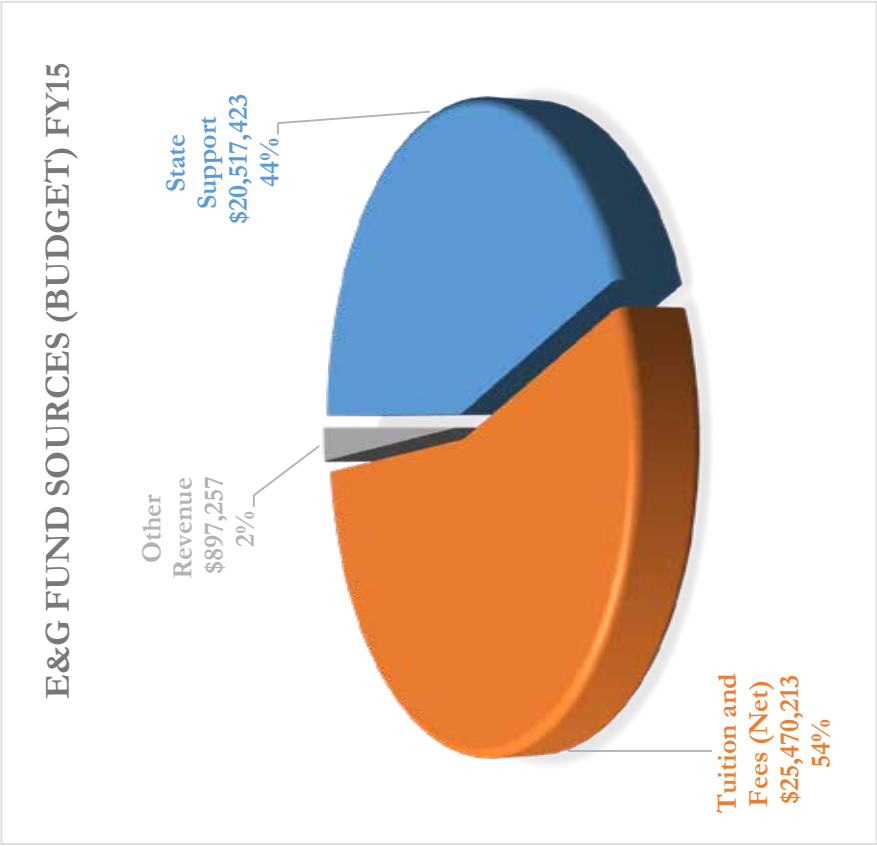
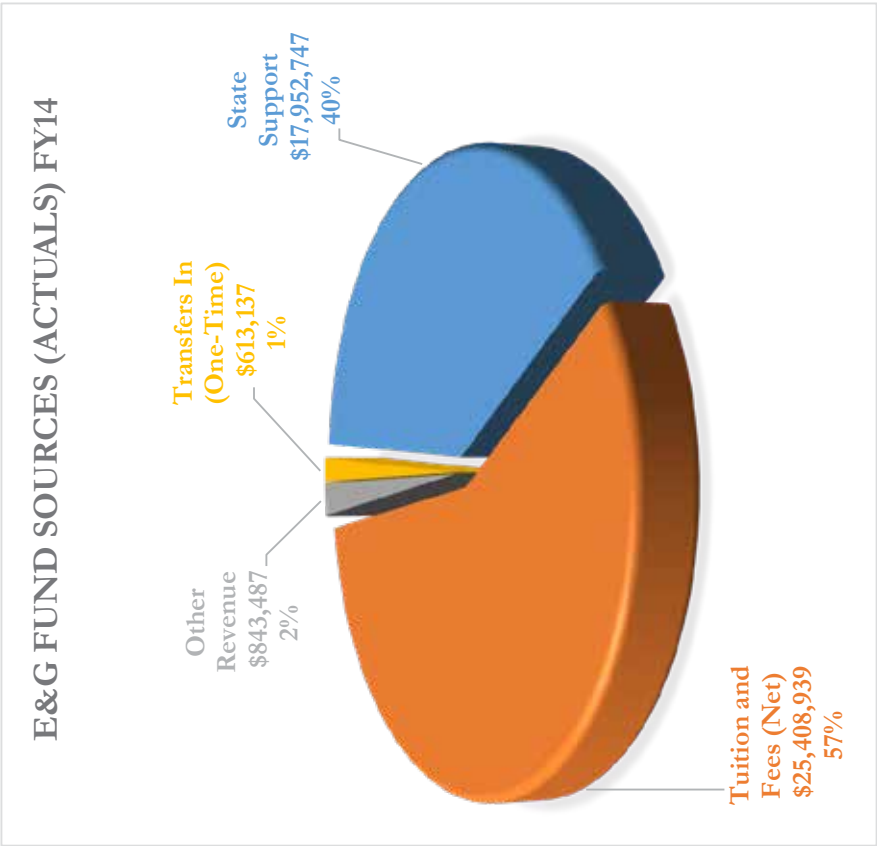
FY2010 - Revenue Breakdown



FY2014 - Revenue Breakdown



E&G FUND SOURCES - FY14 ACTUALS and FY15 BUDGET



Funding Uses

Uses of funds or expenditures are organized by functional category and natural classifications. Functions refer to the purpose for which expenses are incurred. Functional categories include instruction, academic support, student services, institutional and management support, operations and management of plant, research, public service, scholarships and fellowships, auxiliary enterprises and non-operating expenses. Natural classification reporting is the alternative method for presenting expenses, which focuses on the type of expense incurred rather than its purpose. Natural classification includes expenses such as compensation, supplies and services, utilities, travel and capital outlay. Below are the categories used for functional reporting.

Instruction

Instruction is considered the most important and therefore appears as the first expense category in the grouping of educational and general (E&G) activities. The E&G activities are Oregon Tech's primary academic, administrative and related activities. This category includes the natural classification expenses (salaries, supplies, travel and so forth) incurred by academic units involved in teaching and directly related activities. Instruction expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$24,470,000 representing 39% of all funds total expenses.

Academic Support

The academic support category consists of expenses that benefit the primary mission of instruction, research and public service. This category includes areas such as academic administration, academic personal development, course and curriculum development and library services. Academic Support expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$5,196,000 representing 8% of all funds total expenses.

Student Services

For student services category the common

theme is support for students' needs including emotional and physical well-being, along with their intellectual, cultural, and social development outside the classroom. There are two broad types of student services activities. The first relates to the administration of operating areas that support students, such as financial aid, admission, and registrar's office. The second type represents opportunities for student participation or interaction, such as student clubs, cultural events, student paper, intramural athletics, career guidance and counseling. Student Services expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$3,371,000 representing 5% of all funds total expenses.

Institutional and Management Support

The institutional and management support category is sometimes referred to as the general and administrative (G&A) expense category because it represents the non-academically related administration of the institution. Institutional and management support activities include executive, accounting and related fiscal services, legal services, human resources, purchasing and contracts, risk management, public relations, marketing, development and fund raising. Institutional and management support expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$10,150,000 representing 16% of all funds total expenses.

Operation and Maintenance of Plant

With the exception of depreciation operation and maintenance (O&M) includes expenses related to the infrastructure, facilities and grounds of Oregon Tech. The expenses cover a wide range of activities, including utilities, custodial services, noncapital repairs and maintenance, grounds maintenance, fire protection, security, safety, property insurance and similar items. The expenses reported in this category are limited to those related to Oregon Tech's E&G activities. When non E&G activities report

their expenses they include an appropriate share of the O&M expenses. Operation and maintenance of plant expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$3,260,000 representing 5% of all funds total expenses.

Research

Research for Oregon Tech, as a comprehensive is focused more on applied research as compared to a doctoral institution which typically has larger volumes of research activities. This category includes natural classification expenses related both to internally funded research and sponsored research. Research expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$448,000 representing 0.8% of all funds total expenses.

Public Service

Public services expenses encompasses activities that provide benefits to external groups. This category includes community service program and other activities that deliver value outside the institution. Public service expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$112,000 representing 0.2% of all funds total expenses.

Scholarships (Student Aid)

Scholarships relate to student financial aid. Scholarships typically are awarded to undergraduate students. Aid awarded as in-house scholarships is posted to the student accounts are coded as a fee remission expense. Students are not allowed to receive fee remission funds in excess of their tuition and fee amounts. Disbursements of scholarships paid by outside entities such as the Oregon Tech Foundation are applied as payment toward a student's account and are refundable to the student. Scholarship expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$4,301,000 representing 7% of all funds total expenses.

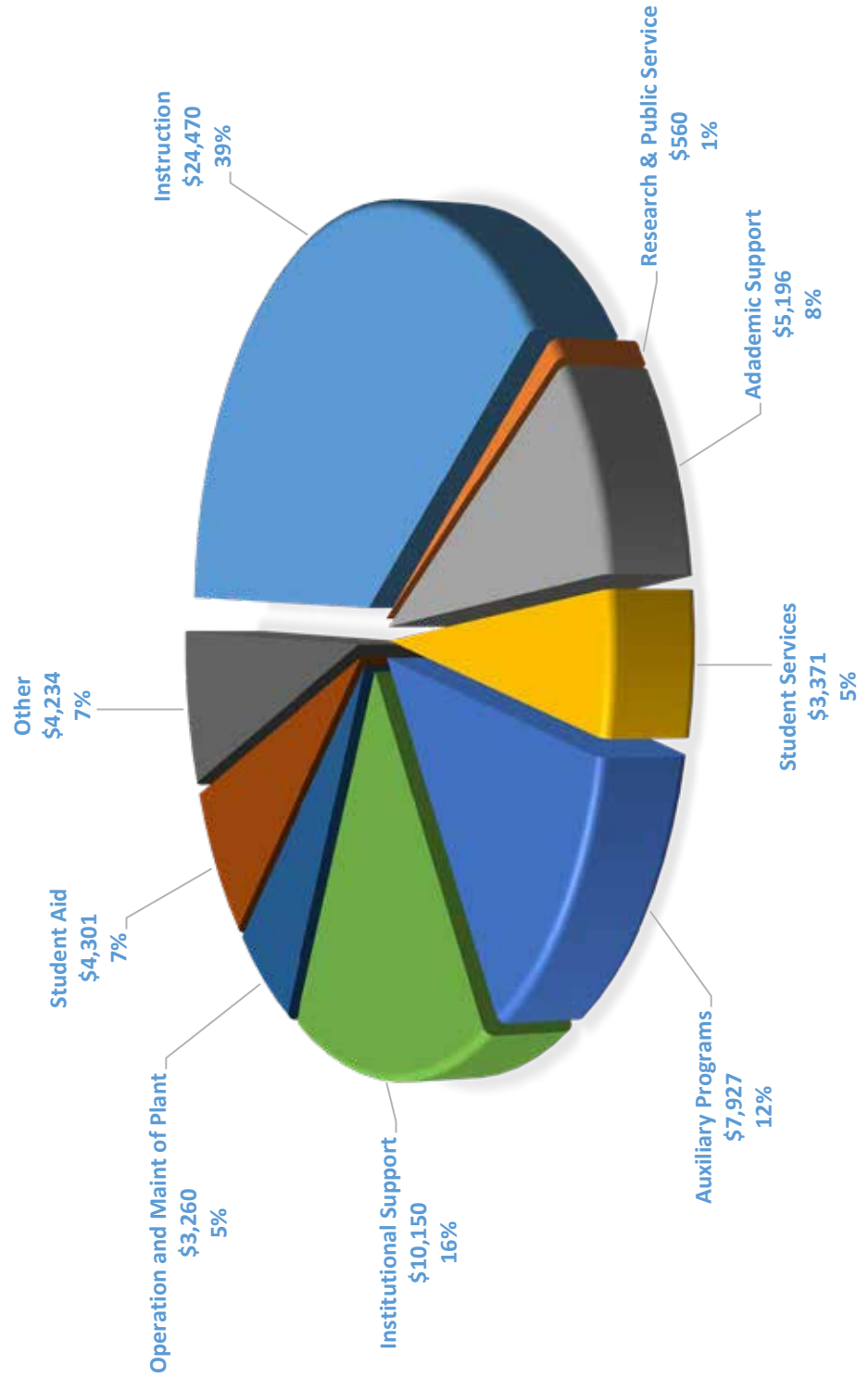
Auxiliary Enterprises

Auxiliary enterprises which falls outside the scope of E&G activities, is the collective term used to describe activities that provide fee-based services and goods to students, faculty, staff and general public. They generally operate on a self-supporting basis and cover both their operating and capital costs from user fees and charges. Auxiliary enterprise units are expected to reimburse the E&G units for services provided to the auxiliaries. Auxiliary enterprises at Oregon Tech include student housing, parking operations, student health, College Union, and athletics. Oregon Tech outsources bookstore and dining auxiliary activities to commercial entities. Auxiliary expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$7,927,000 representing 12% of all funds total expenses.

Interest and Other Nonoperating Expenses

This is interest usually related to capital construction or purchases, and non-operating expenses that do not fit neatly in one of the designated programmatic categories for higher education. Other non-operating expenses likely include non-investment losses from the sale of capital assets, typically equipment, losses on refinancing long term debt, or costs incurred as a result of natural disasters. Interest and other non-operating expenses at Oregon Tech for the year ended June 30, 2014 amounted to approximately \$4,665,000 representing 7% of all funds total expenses.

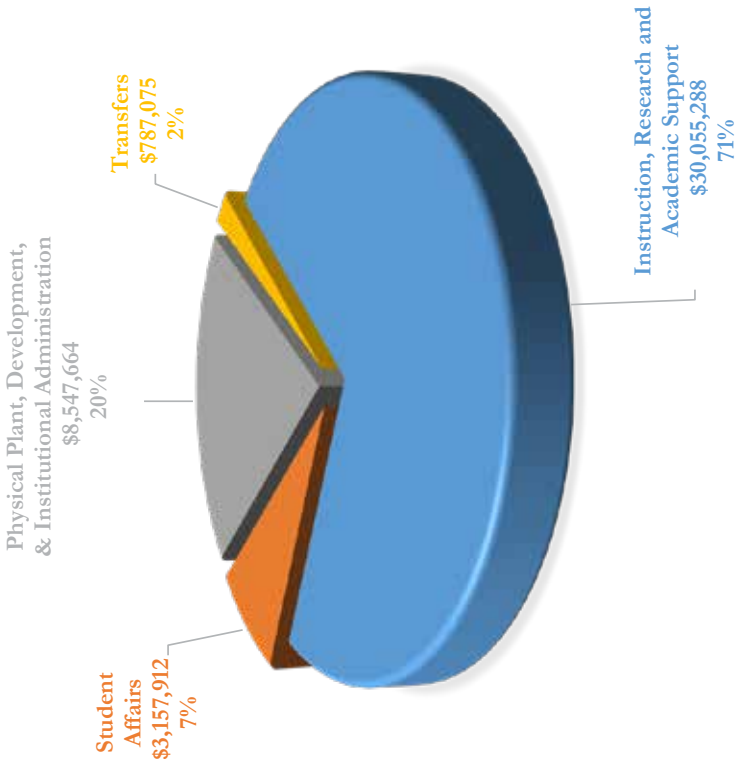
FUND USES (ACTUALS) FOR ALL FUNDS BY FUNCTION FY14 (\$ IN THOUSANDS)



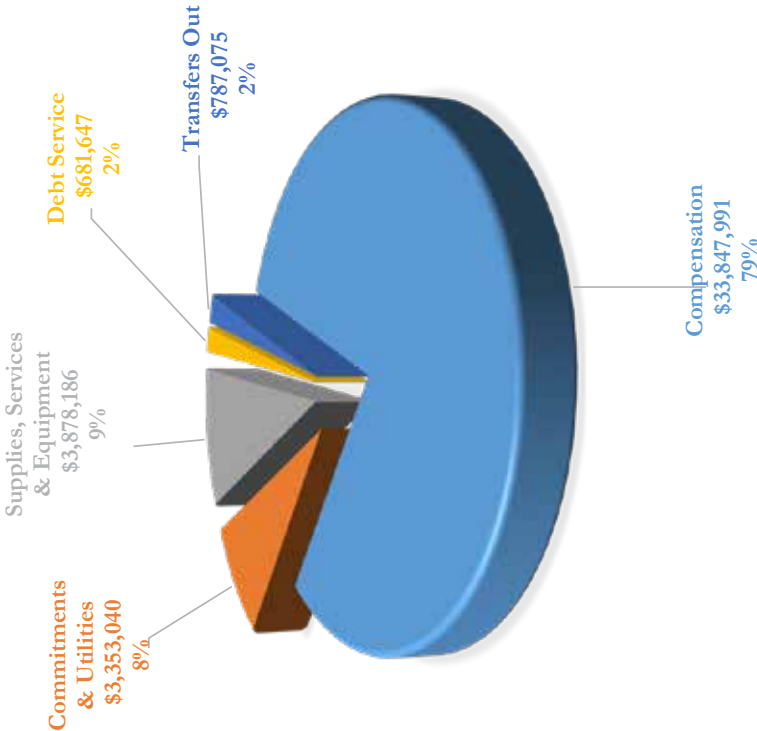
(Total \$63,469)

E&G FUND USES - FY14 ACTUALS by FUNCTION and by NATURAL CLASSIFICATION

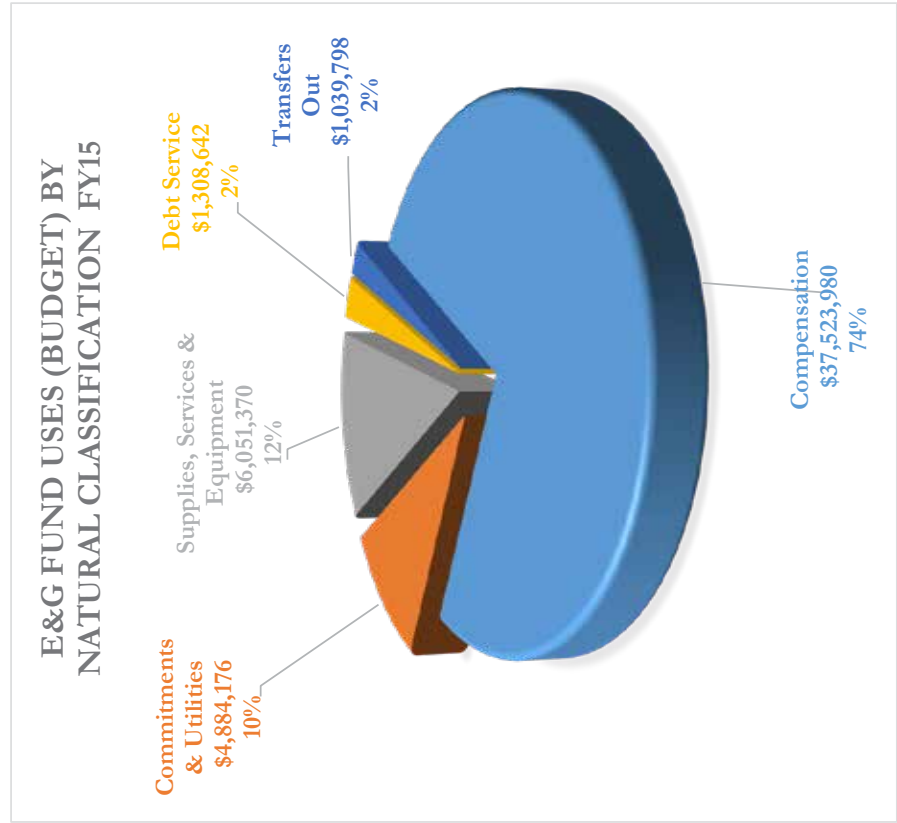
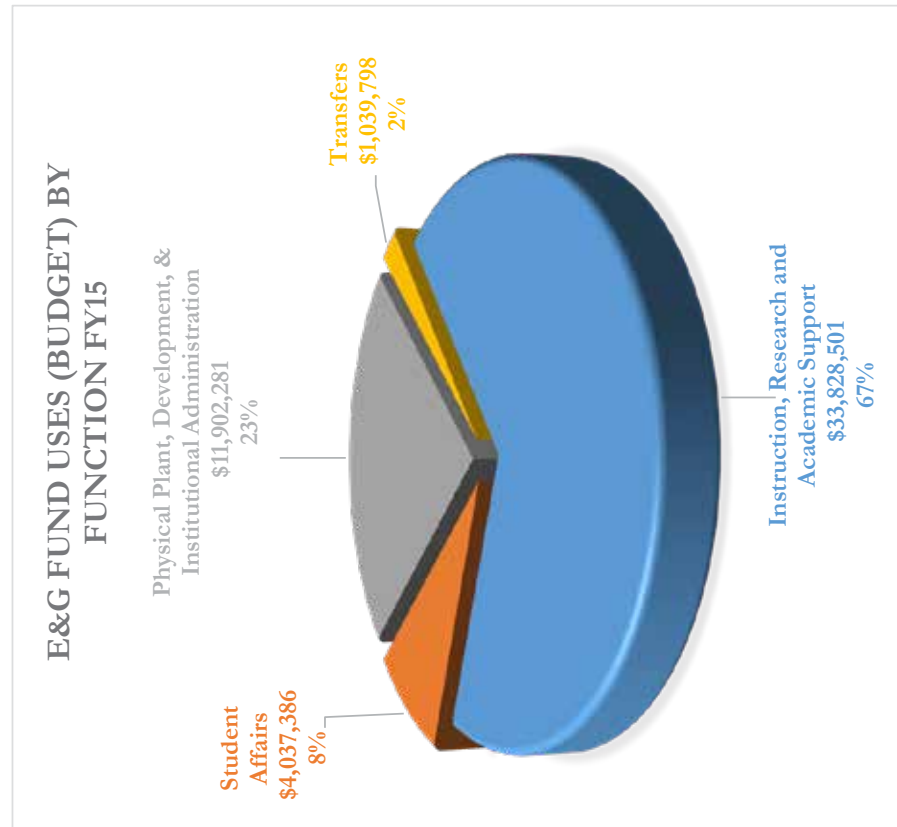
E&G FUND USES (ACTUALS) FY14
BY FUNCTION



E&G FUND USES (ACTUALS) FY14
BY NATURAL CLASSIFICATION



E&G FUND USES - FY15 BUDGET by FUNCTION and by NATURAL CLASSIFICATION



Budgeted Operations Fund Balances

Fund Balance Defined

Fund balance is defined as the difference between the assets and liabilities of a fund. Given this definition, fund balance can be described as the available resources of the fund, which can be significantly different than cash balances due to accrual accounting. For instance, at June 30 of each fiscal year, Oregon Tech has received payments for summer session tuition and fees. Since summer session activity occurs predominantly in July, these receipts are recorded as a liability (deferred revenue) at June 30 to comport with accounting rules. As a result, cash balances may be higher than fund balances.

As noted above, fund balance is the difference between the assets and liabilities of a fund. Generally Accepted Accounting Principles (GAAP), promulgated by independent standards-setting groups, set forth rules for the proper recording and valuation of assets and liabilities. Oregon Tech is required to follow GAAP. Therefore, fund balance is defined consistently across all Oregon and national higher education institutions.

Background:

Responsible fiscal management requires adequate reserves, or fund balances, to mitigate current and future risks. Adequate fund balances are essential to offsetting cyclical variations in revenues and expenditures and to protect against 1) catastrophic events, 2) unforeseen revenue declines and expenditure gaps, 3) unexpected legal obligations, and 4) failures and health/safety/code issues in infrastructure or major business systems.

The focus of a fund balance policy is primarily on the fund balances within the budgeted operations funds, which are the primary operating funds through which all basic instruction and institution administration occur. The budgeted operations funds are referred to as Education and General (E&G) or General Funds. The sources of funds are principally

from state appropriations;¹ student tuition and fees; indirect cost recovery on sponsored projects and federal and state grants; and lesser amounts of other income.

For the purpose of gauging their relative value, budgeted operations fund balances (E&G) can be expressed either as a percentage of annual budgeted operating revenues or as operating expenditures sufficient to fund a specified period. The Government Finance Officers Association, for example, recommends that fund balances be maintained at a level that represents 5 to 15 percent of operating revenues, or is sufficient to fund no less than one to two months of operating expenditures.

Obviously, the level of budgeted operations fund balance should be related to the likelihood of need. Given the timing of tuition assessments, Oregon Tech's revenue cycles tend to spike quarterly while expenditures remain relatively flat. When combined with the volatility of state funding over the past several biennia—as well as fluctuations in enrollment and tuition dollars—the need to maintain fund balances sufficient to stabilize the operating revenue stream for short periods is clearly imperative. The institution, for example, is particularly vulnerable to shortfalls in revenue collections during the first quarter of each biennium.

Responsible fiscal policy, then, suggests that higher education institutions should maintain ending biennial budgeted operations fund balances (E&G) sufficient to stabilize the operating revenue stream and cover unforeseen contingencies equal to approximately one month's operating expenditures, or about 10 percent of their annual budgeted operations revenues.

At the same time, because of the funding mix of state General Funds and student tuition and fees, any excess balances could be interpreted to represent unwarranted tuition and fee rates. Consequently, ending biennial budgeted operations fund bal-

¹ Beginning FY 2015 referred to as Public University Support Funds (PUSF)

ances should not exceed approximately three – four months of budgeted operations expenditures, or about 15-20 percent of annual budgeted operations revenues.

biennial budgeted operations fund balance of approximately 10 percent of annual budgeted operations revenues. For purposes of this policy, budgeted operations funds are defined as all funds

included in Fund Type 11 (Education and General) in the Oregon University System accounting records. Budget operations fund balances will be monitored as part of the quarterly projections included in the Managerial Reports provided to the Board; and institution presidents shall

Oregon Tech Operations Fund Balance at June 30, 2014 and Projected for June 30, 2015 at October 31, 2014²

	<u>June 30, 2014</u>	<u>Projected June 30, 2015³</u>
Beginning Fund Balance	\$ 6,416,412	\$ 8,686,783
Revenues	44,818,310	47,048,000
Expenditures	<u>(42,547,939)</u>	<u>(50,811,000)</u>
Ending Fund Balance	\$ 8,686,783	\$ 4,923,783
 Fund Balance as Percent of Revenue	 19.38%	 10.50%

² Based on modified-accrual basis

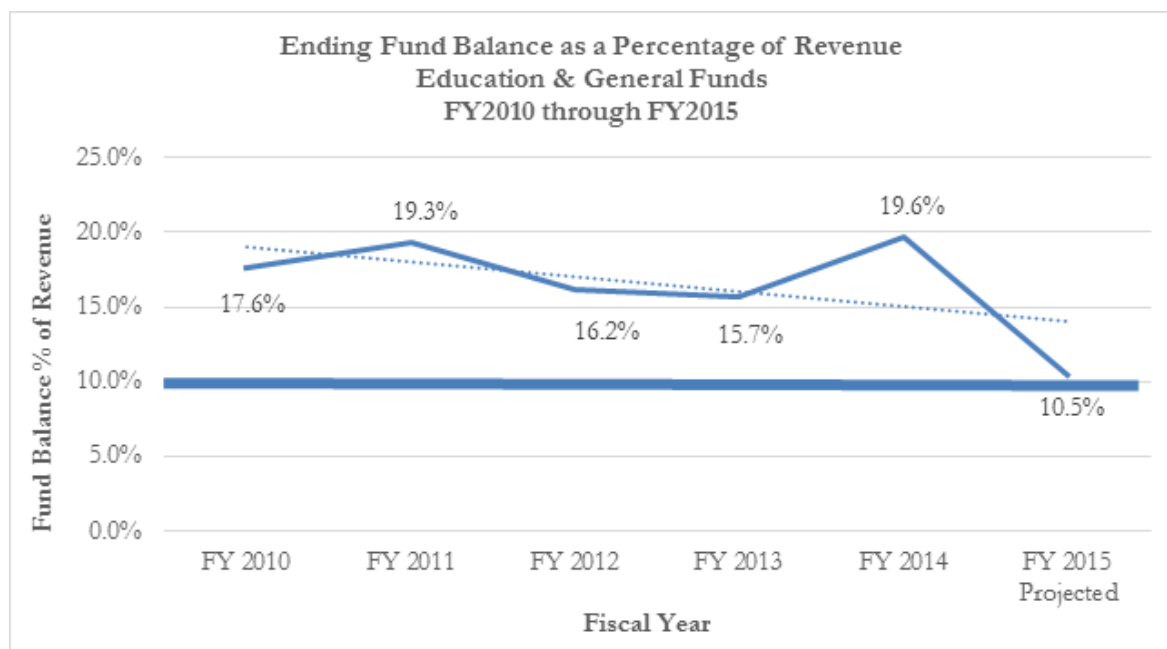
³ Based on October 31, 2014 Management Report

Oregon Board of Higher Education Budgeted Operations Fund Balances Policy:⁴

Oregon University System (OUS) institutions shall develop budgets that target an ending

advise the Board in the event projected or actual ending balances for the biennium either fall below 5 percent or rise above 15 percent of revenues. Included in the information provided by the presidents will be an explanation for the variance and a plan to rebalance the budgeted operations fund balances over time to approximately 10 percent of annual budgeted operations revenues.

⁴ In effect through June 30, 2015



Financial Reporting

Oregon Tech's annual financial statements are retrospective reports that document the cumulative status of the fiscal year financial transactions at year end. The statements summarize actual activity that has occurred and also includes estimates of financial activity that Oregon Tech is legally obligated to receive or pay which is also defined as accrual accounting. Within the year end financial statements there are three primary financial reports.

Statement of Net Position

A statement of net position is also known as a statement of net assets or position (balance sheet). This report summarizes what Oregon Tech owns (assets); what Oregon Tech owes (liabilities); and what Oregon Tech has remaining to fulfill its mission (net assets). The net assets are classified by their degree of legal availability to support Oregon Tech's mission. The degree of use are unrestricted, temporarily restricted, and permanently restricted.

Statement of Activities

(Statement of Revenues, Expenses and Changes in Net Position)

A statement of activities is also known as a statement of revenues, expenses and changes in net position. This report summarizes what resources Oregon Tech earned or was given (revenue) and what resources it spent in furtherance of its mission (expenses). Expenses include but not limited to cash outlays for salaries, benefits, supplies and services as well as non-cash expenditures that up Oregon Tech's assets such as depreciation expense, and incurred but not funded obligations such as future pension payments or payment for liability claims.

Statement of Cash Flows

This report summarizes how Oregon Tech used its cash resources during the previous year and whether it added to its cash reserves or used cash for operating and capital purposes. It identifies all non-cash items in the financial statements, which allows

Oregon Tech to readily determine how it has used its cash. Because adequate cash reserves are essential for Oregon Tech's financial survival and stability, this statement is a key report for the Board to review. The statement of cash flows allows a Trustee to see clearly the elements in the financial statement that impact cash reserves and those that do not.

Accounting Standards

The development of financial statements for colleges and universities is guided by professional accounting standards set out by one of two governing bodies. The Governmental Accounting Standards Board (GASB) governs accounting standard for public colleges, universities, and systems which the Financial Accounting Standards Board (FASB) governs accounting standards for private colleges and universities. These standard setting bodies develop the principles and rules by which financial transactions are classified and measured. These principles and rules are incorporated into financial reporting systems and also guide the work of the financial management team at Oregon Tech.

OREGON TECH
Statement of Net Position as of June 30, FY2010 - FY2014 (\$ in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
ASSETS					
<i>Current Assets</i>					
Cash and Cash Equivalents	\$ 12,250	\$ 12,868	\$ 2,192	\$ 5,279	\$ 9,937
Collateral from Securities Lending	-	-	1,257	881	\$ 998
Accounts Receivable, Net	3,007	2,823	3,096	3,350	4,725
Accounts Receivable from Component Units	202	234	-	-	-
Notes Receivable, Net	581	531	575	504	380
Inventories	669	451	92	81	85
Prepaid Assets	115	192	1,946	2,122	394
<i>Total Current Assets</i>	16,824	17,099	9,158	12,217	16,519
<i>Non-Current Assets</i>					
Cash and Cash Equivalents	4,007	5,174	3,840	4,161	3,696
Investments	217	254	6,353	7,934	5,605
Notes Receivable, Net	2,613	2,385	2,468	2,252	2,458
Capital Assets, net of accumulated depreciation	70,875	69,596	72,571	98,665	96,885
<i>Total Non-Current Assets</i>	77,712	77,409	85,232	113,012	108,644
TOTAL ASSETS	\$ 94,536	\$ 94,508	\$ 94,390	\$ 125,229	\$ 125,163
DEFERRED OUTFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ 1,795
LIABILITIES					
<i>Current Liabilities</i>					
Accounts Payable & Accrued Liabilities	\$ 1,887	\$ 2,149	\$ 2,623	\$ 2,204	\$ 3,814
Deposits	435	287	937	141	216
Obligations Under Securities Lending	-	-	1,257	881	998
Current Portion of Long Term Liabilities	1,459	1,329	1,518	1,459	3,866
Deferred Revenue	1,754	1,871	3,507	4,086	2,552
<i>Total Current Liabilities</i>	5,535	5,636	9,842	8,771	11,446
<i>Non-Current Liabilities</i>					
Long Term Liabilities	28,659	30,216	32,320	53,497	90,836
Due to Other OUS Funds and Entities	28,035	27,292	26,586	36,003	-
<i>Total Non-Current Liabilities</i>	56,694	57,508	58,906	89,500	90,836
TOTAL ALL LIABILITIES	\$ 62,229	\$ 63,144	\$ 68,748	\$ 98,271	\$ 102,282
DEFERRED INFLOWS OF RESOURCES	\$ -	\$ -	\$ -	\$ -	\$ -
NET ASSETS	\$ 32,307	\$ 31,364	\$ 25,642	\$ 26,958	\$ 24,676
Net Investment in Capital Assets	\$ 18,151	\$ 17,520	\$ 18,097	\$ 13,258	\$ 12,568
Restricted for Nonexpendable Endowments	-	-	-	-	-
Expendable - Gifts, Grants, and Contracts	470	837	264	184	509
Expendable - Student Loans	3,931	3,473	3,501	3,393	3,412
Expendable - Capital Projects	672	306	(1,441)	2,234	1,321
Expendable - Deb Service	21	23	188	835	1,674
Unrestricted Net Assets	9,062	9,205	5,033	7,054	5,192

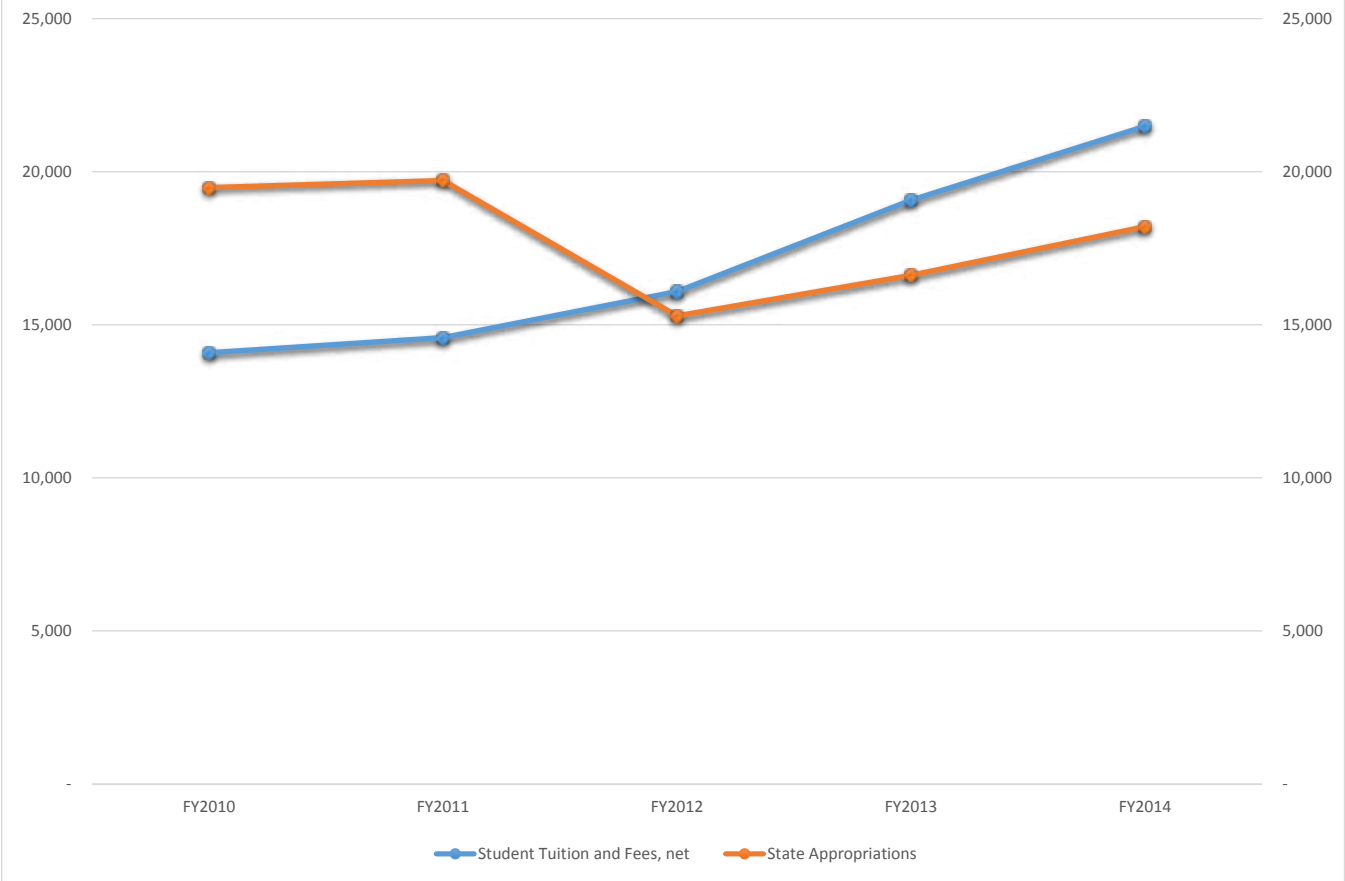
OREGON TECH

Statement of Revenues, Expenses, and Changes in Net Position , FY2010 - FY2014 (\$ in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
<i>OPERATING REVENUES</i>					
Student Tuition and Fees, net	\$ 14,089	\$ 14,582	\$ 16,087	\$ 19,066	\$ 21,488
Federal Grants and Contracts	1,616	1,868	2,351	2,190	910
State and Local Grants and Contracts	706	201	(130)	173	37
Nongovernmental Grants and Contracts	2,836	2,843	476	419	581
Educational Department Sales and Services	216	357	447	445	299
Auxiliary Enterprises Revenues, Net	8,245	7,903	7,185	6,950	6,609
Other Operating Revenues	418	716	339	236	284
<i>Total Operating Revenue</i>	28,126	28,470	26,755	29,479	30,208
<i>OPERATING EXPENSES</i>					
Instruction	19,552	21,556	22,346	21,854	24,470
Research	181	319	625	592	448
Public Service	3,079	2,656	520	256	112
Academic Support	4,445	4,747	4,808	6,259	5,196
Student Services	2,262	2,384	2,791	3,040	3,371
Auxiliary Programs	8,921	10,339	8,339	7,427	7,927
Institutional Support	3,816	4,773	4,762	5,433	5,517
Operation and Maintenance of Plant	2,440	3,074	2,615	3,217	3,260
Student Aid	4,762	4,378	3,972	4,641	4,301
Other Operating Expenses	5,298	2,785	3,399	3,023	4,234
<i>Total Operating Expenses</i>	54,756	57,011	54,177	55,742	58,836
<i>Operating Income(Loss)</i>	(26,630)	(28,541)	(27,422)	(26,263)	(28,628)
<i>NONOPERATING REVENUES (EXPENSES)</i>					
Government Appropriations	19,481	19,714	15,290	16,613	18,207
Grants	6,592	6,161	6,710	7,250	7,125
Investment Activity	65	65	104	253	330
(Loss)Gain on Sale of Assets, Net	-	-	11	-	(1,031)
Interest Expense	(2,680)	(2,851)	(2,890)	(3,116)	(2,650)
Other Nonoperating Items	1,744	2,398	1,520	3,569	2,351
Net Nonoperating Revenues	25,202	25,487	20,745	24,569	24,332
Income (Loss) Before Other Nonoperating Revenues	(1,428)	(3,054)	(6,677)	(1,694)	(4,296)
Capital and Debt Service Appropriations	1,697	1,618	1,679	2,669	2,496
Capital Grants and Gifts	-	75	1,439	785	470
Transfers within OUS	429	418	866	(444)	(952)
<i>Total Other NonOperating Revenues</i>	2,126	2,111	3,984	3,010	2,014
Increase (Decrease) in Net Position	698	(943)	(2,693)	1,316	(2,282)
NET POSITION					
Beginning Balance	31,609	32,307	31,364	25,642	26,958
Ending Balance	\$ 32,307	\$ 31,364	\$ 28,671	\$ 26,958	\$ 24,676

Note: Beginning net position at July 1, 2012 was restated for PERS SLDRP liability

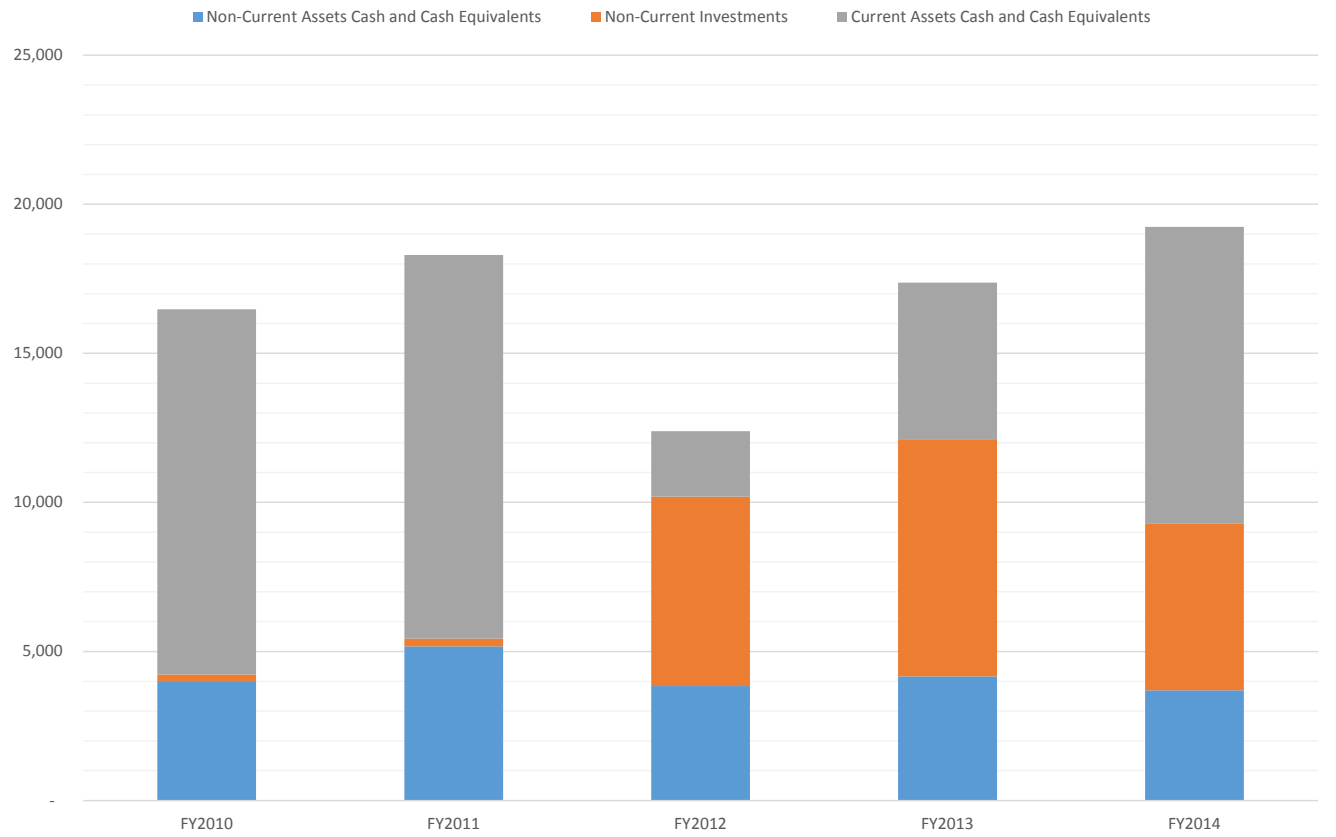
Comparison of State and Tuition & Fees Revenue
FY2010 through FY2014



Oregon Tech
Statement of Cash Flows, FY2010 - FY2014 (\$ in thousands)

	FY2010	FY2011	FY2012	FY2013	FY2014
<i>Cash Flows from Operating Activities</i>					
Tuition and Fees	\$ 14,716	\$ 14,775	\$ 15,804	\$ 20,836	\$ 19,979
Grants and Contracts	4,675	5,014	3,021	3,197	1,599
Educational Department Sales and Services	220	356	447	445	299
Auxiliary Enterprise Operations	8,190	7,961	7,031	7,042	6,572
Student Loan Collections	733	972	-	-	-
Payments to Employees - Comp & Benefits	(33,133)	(35,512)	(34,774)	(35,796)	(38,221)
Payments to Suppliers	(17,378)	(12,193)	(12,832)	(11,781)	(9,805)
Student Financial Aid	(4,826)	(4,154)	(4,166)	(4,686)	(4,415)
Student Loan Issuance and Costs	(752)	(1,144)	-	-	-
Other Operating Receipts	1,753	676	616	(774)	465
<i>Net Cash Used by Operating Activities</i>	(25,802)	(23,249)	(24,853)	(21,517)	(23,527)
<i>Cash Flows from Non-Capital Financing Activities</i>					
Government Appropriations	19,481	19,714	15,130	15,958	18,207
Grants	6,592	6,161	6,710	7,250	5,495
Other Gifts and Private Contracts	1,823	2,033	1,520	3,569	2,351
Net Agency Fund Receipts (Payments)	(256)	(207)	650	(796)	75
Net Transferst from (to) Other Funds and OUS	656	-	(1,070)	8,812	(411)
<i>Net Cash Provided by Non-capital Financing Activities</i>	28,296	27,701	22,940	34,793	25,717
<i>Cash Flows from Capital and Related Financing Activities</i>					
Capital Appropriations	-	-	-	-	-
Debt Service Appropriations	1,697	1,619	1,840	2,669	2,428
Capital Grants and Gifts	-	75	2,703	786	430
Bond Proceeds from Capital Debt	2,390	2,739	3,382	24,756	3,183
Sales of Capital Assets	26	59	1,210	116	-
Purchases of Capital Assets	(11,082)	(2,779)	(6,932)	(29,975)	(3,351)
Interest Payments on Capital Debt	(3,645)	(2,851)	(3,027)	(3,116)	(1,448)
Principal Payments on Capital Debt	(1,588)	(1,558)	(3,277)	(3,938)	(2,102)
<i>Net Cash used by Capital and Related Financing Activities</i>	(12,202)	(2,696)	(4,101)	(8,702)	(860)
<i>Cash Flows from Investing Activities</i>					
Net Sales (Purchases) of Investments	-	-	(6,107)	(1,400)	2,571
Interest on Investments and Cash Balances	43	29	111	235	291
Interest Income from Securities Lending	-	-	-	-	-
Interest Expense from Securities Lending	-	-	-	-	-
<i>Net Cash Provided by Investing Activities</i>	43	29	(5,996)	(1,165)	2,862
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,665)	1,785	(12,010)	3,409	4,192
Beginning Bal. - Cash and Cash Equivalents	25,922	16,257	18,042	6,032	9,441
Ending Bal. - Cash and Cash Equivalents	\$ 16,257	\$ 18,042	\$ 6,032	\$ 9,441	\$ 13,633

Cash and Cash Equivalents and Investments FY 2010 - FY2014



Managerial Report

The Board is responsible for reviewing and approving Oregon Tech's annual operating (Education and General) budgets. An important part of Oregon Tech's overall internal control structure is to provide periodic managerial report to the Board in order to monitor performance against the fiscal year general and education (E&G) budget. The reports compare the adjusted operating budget as finalized on October 31st to projected revenues and expenditures determined at the end of October, January and April as well as actuals at June 30.

Determining Periods

Oregon Tech's periodic managerial report follows the fall, winter and spring academic quarters. To ensure that the plans embedded in the operating budget are carried out during the fiscal year, Oregon Tech tracks the progress of revenue generation along with the expenses being incurred. Some of the categories are more stable such as the state appropriations and interest income, but tuition and fees are earned in large chunks on a periodic basis. Oregon Tech has three major revenue spikes, the start of the fall, spring and winter quarters, which each bring in significant amounts of tuition and fee revenue within short time.

Many expenses particularly faculty salaries are committed before the academic year starts (September 15th) but many times the adjunct contracts are not finalized until the week before or week of the fall quarter. The actual expenses though tend to be incurred evenly over the fall, winter and spring quarters. A large expenditure, like faculty salaries will drop off during the summer. Therefore monitoring expenses on a periodic basis throughout the year ensures things remain on track.

Revenues that do not materialize as planned, or expenses that run higher than expected, requires immediate attention and action. Immediate action to revise budget may include reduction in revenue which is covered by budgeted contingency or

salary savings; pulling back on expenditures such as equipment purchases or delay in filling vacant positions.

Report Format and Functionality

The Periodic Management Report is a summary level report that compares:

- Year-to-date actual activity relative to the projected total for the year to the same relationship in prior years or to expected current year totals to provide early warning of unexpected operating trends
- Current periodic projection for the year to the prior periodic projection to highlight midyear changes in expected annual results

This report is a useful tool to communicate current operating trends and changes that affect the annual results of operations. The percentage of year-to-date actual revenue and expenditures to the total projected annual amounts is calculated to help ensure the Board and management have an early warning regarding operating trends in the major categories.

Fund Balance Monitoring

For purposes of the fund balance monitoring, budgeted operations funds are defined as all funds included in Fund Type 11 (Education and General) in Oregon Tech's accounting records. Budget operations fund balance are monitored as part of the periodic projections included in the Managerial Reports which will be reported to the Board. The standard in developing the operating budget is an ending biennial budgeted operations fund balance of approximately 10 percent of annual budget operation revenues. Under the OUS Board policy an institution's president is required to advise the Board in the event projected or actual ending balances for the biennium either fall below 5 percent or rise above 15 percent of revenues.

**Oregon Tech Year End Managerial Reports
Education & General Operations (E&G Revenues and Expenditures)
For Years Ended 2010-2014**

(\$ thousands except enrollment)

Account Category	FY2010		FY2011		FY2012		FY2013		FY2014	
	\$	\$ per FTE	\$	\$ per FTE	\$	\$ per FTE	\$	\$ per FTE	\$	\$ per FTE
E&G Revenue										
State General Fund	17,185	6.40	17,925	6.70	15,150	5.51	16,480	5.68	17,953	5.94
State Fiscal Stabilization Fund	1,894	0.71	1,456	0.54	-	-	-	-	-	-
Tuition & Resource fees, net of Remissions	15,886	5.91	16,554	6.19	18,644	6.78	23,226	8.01	25,409	8.40
Other	1,818	0.68	2,150	0.80	1,991	0.72	1,247	0.43	843	0.28
Total E&G Revenue	36,783	13.70	38,085	14.23	35,785	13.01	40,953	14.12	44,205	14.62
E&G Expenditures										
Personnel Services	26,743	9.96	28,818	10.78	30,192	10.98	30,317	10.45	33,848	11.19
Supplies & Services & Capital Outlay	7,678	2.86	8,439	3.16	7,205	2.62	9,508	3.28	7,913	2.62
Total E&G Expenditures	34,421	12.91	37,257	13.94	37,397	13.60	39,825	13.73	41,761	13.81
E&G Transfers and Fund Additions										
Transfers In	10	0.00	50	0.02	71	0.03	7	0.00	613	0.20
Transfers Out	(2)	(0.00)	(2)	(0)	(1)	(0)	(524)	(0)	(787)	(0)
Fund Additions	-	-	-	-	-	-	-	-	-	-
Total E&G Transfers and Fund Additions	8	0.00	48	0.02	70	0.03	(517)	(0.18)	(174)	(0.06)
Net from Operations	2,370	0.79	876	0.31	(1,542)	(0.56)	611	0.21	2,270	0.75

Student FTE Enrollment - Summer through Spring terms	2,686	2,674	2,750	2,900	3,024
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Budgeting and Planning Process

Five Year Forecasting

Planning occurs through a 5 year strategic cycle and biennium budgets are developed to support the initiatives in the 5 year strategic plan. The President in consultation with the Vice President of Academic Affairs (Provost) and Vice President of Finance and Administration, establishes the priorities for the next two biennia using input and involvement from various campus groups and sources. These priorities are based on the following:

- Program information provided by the Provost Office
- Enrollment statistics provided by the Strategic Enrollment Management Committee which includes input from Registrar and Admissions offices
- Capital plans in progress that will require additional operating resources
- Modeling of future funding sources and needs provided by Budget and Resource Planning (BRP) office
- Information from the Higher Education Coordinating Commission (HECC) forecasting enrollment trends, estimated state support, Department of Administrative Services (DAS) state costs, and University Shared Services Enterprise (USSE) costs
- Other opportunities, concerns or potential fiscal changes brought to the group
- The overall university strategic plan

Biennium Planning

The Budget and Resource Planning Office (BRP) begins modeling the next biennium budget at the start of the previous biennium and updates it constantly as funding sources and needs change. Modeling allows BRP office to provide the Executive Staff with estimates of how increased costs are impacting the potential need for future tuition increases.

In anticipation of building a biennium operating budget, BRP office during the previous biennium maintains a record of new and additional funding requirements needed for the upcoming biennium as those needs are identified by formal program and capital planning, by legislation or contractual cost increases, and by funding requests received from university departments. Examples of these increased funding needs are salary increases, fringe benefit increases, utility rate increases and other facility increases incurred due to new programs and or buildings.

In addition to the operating budget process the BRP office is responsible in a biennium period for providing Oregon Tech's operating budget request to Higher Education Coordinating Committee (HECC) as well as responding to the HECC inquiries including legislative information requests and other extraordinary fiscal information requests.

Annual Budget Process

The annual budget process includes a formal adoption of the budget through an established approval process and the tracking of the adopted budget against actual operations throughout the budget period. The BRP Office coordinates the annual university budget process, with consultation and direction from the President, Provost and the Vice President for Finance & Administration. The Oregon Tech budget development process begins in the winter term with input from various University constituents including Fiscal Operations Advisory Council (FOAC), and Executive staff.

A Tuition Setting Committee is formed each academic year that consists of mostly students and members of the Executive Staff. Executive staff present projected operating statements with justifications to the Tuition Setting Committee. The Tuition Setting Committee reviews the information provided and gathers additional information from

the university community via open forum meetings. The Committee arrives at a recommended tuition rate increase which is then sent to the President. The tuition rate increase is formally submitted to the Oregon Tech Board of Trustees for approval and then to the HECC.

Once the Tuition Setting Committee presents a recommendation revenue projections are developed using multi- year enrollment projection plans, projected state support; projected tuition rates and projected other revenues including grant and contract activities. The most recent enrollment projections provided by HECC are also used for projecting enrollments.

BRP office also prepares draft budget templates by division and departments based on current funding needs and adjustments to current funding needs as of the time the templates are drafted. The division templates are provided to the appropriate Vice President who reviews them by department for accuracy and possible changes. The budget templates roll up into a master template by division. Utilizing this master summary, the Vice President's Office and President's Office determines where cuts can be made based on the priorities established earlier in the process.

The Vice President's Office and the President's Office provide accepted changes to the BRP office and the templates are updated accordingly. Depending on the budget challenges this process may be repeated a few times. Once satisfied the Vice Presidents share the preliminary budget to the Executive Staff. Once this group is satisfied with the budget it is presented in summary form to FOAC for comment and the budget may or may not be changed. This preliminary working budget is loaded into our budget module in July in order to continue operations into the new fiscal year.

In August the Executive Staff reviews and make changes to the preliminary working budget. The updated preliminary budget is shared with the University community during convocation week. In

October adjustments to the preliminary budget due to finalizing compensation costs, changes in tuition revenue based on significant enrollment changes and other identified significant operational costs incurred.

A final draft of the annual operating budget is prepared in early November by the BRP office. The adopted budget or final version of the annual Oregon Tech budget is presented to the Oregon Tech Board of Trustees for approval. Once approved by the Oregon Tech Board of Trustees, the President signs the budget and it becomes the Annual Adopted Budget. The adopted budget is posted on the Budget and Planning webpage and is used for purposes of tracking actual costs against budget for the fiscal year.

When a significant net reduction in budget is imminent the President may call together a group to form the Program Reduction and Elimination Committee (PREC). PREC will provide recommendations to the President, taking a holistic view of the institution's needs and synthesizing the perspectives of its various constituents.

Operating Budget FY2016 Development Cycle

Month	Item	Detail
March-June 2014	5 year projection report	Include FY2015 preliminary budget and current out year projections
August	Biennial Budget Requests (2015-2019)	Budgets for next biennium (2015-2017) presented to the Higher Education Coordinating Commission (HECC) for submission to governor's office Request is for Public University Support Funds (PUSF) and submitted as one request for all seven Oregon Public Universities
September	Convocation	Present 5 year projections and other pertinent budget information
October	Adopted Budget (FY 2015)	Finalize budget for FY2015 after October closing of the books; may include updating revenue projections based on Fall 4 th week enrollments and expenditure decreases or increases identified
November	Communication with FOAC	Share FY2015 adopted budget with the Fiscal Operations Advisory Council (FOAC)
November 2014 to March 2015	Update Budget Information	Continue to update FY2015 budget as needed Provide FY2015 budget status reports to VP's, Deans, and Directors on a monthly basis
December	Governor's Recommended Budget (GRB)	Governor Office releases 2015-19 biennial budget recommendations
December	Update 5 year projection report	Update revenue projections based on Fall 4 th week enrollment numbers; benefit estimated increases provided in fall; new information regarding contractual agreements and so forth
January 2015	Tuition Recommendation Committee	Provides advice and comment about proposed resident undergraduate tuition rates for the upcoming academic year Committee includes representatives of student government Recommendation from Tuition Recommendation Committee to President in February
February-June	2015 Oregon Legislative Session	Earliest 2015-19 budget approval June; could be delayed into summer Governor required to sign before finalized
February	Student Incidental Fee Proposals	College Union, ASOIT (student government) and Athletic budgets presented to Incidental Fees Commission Includes requests for student incidental fees

March	Budget Development	<ul style="list-style-type: none"> Recommendation from Incidental Fee Committee to President in February Prepare preliminary budget for FY2016 Roll FY2015 adjusted base budget to FY2016 preliminary budget
March	Communicate with President and VPs	<ul style="list-style-type: none"> Share preliminary budget with VP's and President; provide guidelines and templates for budget submittal VP's and President distribute to associate VP's, deans and directors within appropriate divisions for feedback
April	Board of Trustees Approval of Student Tuition and Fee Recommendation	<ul style="list-style-type: none"> Finance and Facilities Committee will consider university tuition and fee proposals for 2015-16 and accept or recommend alternative tuition and fee proposal Committee will submit their recommendation to the full Board for adoption
April	Budgets submitted to appropriate Vice President/President	<ul style="list-style-type: none"> Associate VP's, deans and directors submit proposed budget changes VP's and President submit division budgets to Budget Office
May	Proposed Budget Prepared	<ul style="list-style-type: none"> Budget Office updates preliminary budget with proposed changes
May	Budget Recommendations	<ul style="list-style-type: none"> FOAC prepares recommendations of fiscal management priorities, new budget initiatives and allocations and provides to President in early June
June-July	President, Provost & VP F&A Review	<ul style="list-style-type: none"> Preliminary working budget is approved Budget needs to be loaded in July in order to provide continued operations for new fiscal year and will be need to be updated Preliminary working (E&G) budget is loaded into budget module (FIS) Other funds budgets are loaded as adopted
August	President Approves FY2016 Preliminary Operating Budget	<ul style="list-style-type: none"> Review and approval of preliminary operating budget by President with Executive staff input Fall enrollment projections and state appropriations will be more predictable Working operating preliminary budget adjusted to approved preliminary budget
October	Official Adopted Operating Budget Closed	<ul style="list-style-type: none"> Based on adjustments for student enrollment numbers and new hires the official FY 2016 budgeted is adopted
November	Review of Adopted Operating budget by Oregon Tech Board of Trustees	<ul style="list-style-type: none"> Approval of expenditures are not required under current SBHE Periodic Management Report as of October 31 presented

Facility Capital Planning & Debt Capacity

Physical Profile ¹

	Klamath Falls	Wilsonville
Campus Acres	304	6.8
Buildings	40	1
Gross Square Feet	864,374 gsf	138,510 gsf
E&G CRV ²	\$132M	\$29M
E&G FCI ³	.27	good

¹ Excludes property in Clackamas county Harmony Rd 54,515 gsf

² Current Replacement Value per Oregon insurance property schedule

³ Facility Condition Index Source 2012 OUS; under 0.05 good, 0.05-0.10 fair, over 0.10 poor; Boivin Hall scored .53 (1977) & Cornett Halls & Facilities Bldg. scored .59 (1965)

Updating Facility Master Plan

Oregon Tech is a vibrant and sustainable organization which requires a facility master plan that is continually living and evolving to meet current needs which anticipate future opportunities and best practice utilization. Plans are currently underway to develop an Oregon Tech Facilities Master Plan using interactive Building Information Modeling (BIM) tool. The last formal updating of the facility master plan was in 2006. The facility master planning includes an assessment of existing conditions, additional renewable energy opportunities, exploration of options and a resulting master plan that captures priorities, costs and timelines. The plan is integrated with the overall university strategic plan that will outline future land use, building locations and use, traffic circulation and parking, infrastructure and capital improvements. The BIM planning tool will serve as the Klamath Falls and Wilsonville campuses interactive database of existing building documentation which will be integrated into other data tools such as energy monitoring, security, maintenance, and technology and used as a facility management tool. The Facility Master Planning process will link facility master planning and BIM to academic programs including simulations of the master plan in the classroom. Student participation will also be included in the master planning process especially those in the civil engineering, renewable energy engineering and geomatic programs.

Capital Plan

A capital plan outlines capitalized expenditures for new construction, major repairs and renovation, and major equipment. The capital plan incorporates programmatic needs, capital renewal, structure improvements, and major deficiencies of existing facilities. The plan includes a priority listing and description of individual capital projects for major repairs and renovations, new construction and functional modifications. The capital planning process begins with a preliminary evaluation that classifies projects by possible funding sources. Self-amortizing projects which are typically auxiliary centers provide their own source of funding the debt for a major project i.e. student housing. The Facilities Planning Commission is an integral part of the planning process. The Commission responsibilities include 1) to recommend to the President the priority for building construction, remodeling, and equipment use on the basis of demonstrated need and optimal utilization; 2) to review building plans with particular regard to space requests for classrooms, laboratories, offices, and student facilities; 3) to review requests for additional space and equipment which would become a part of the building inventory; and 4) to review requests for changes in use of space, additions, and/or removal of equipment which would alter room use.

Capital Request Process

Within the institution, long range planning of capital projects is driven by Oregon Tech's Strategic Plan and Facility Master Plan. Capital project requests must be submitted to Oregon Tech Board of Trustees (Board) for approval. Projects requiring state funding (bonds) must also be submitted to the Higher Education Coordinating Commission (HECC) during the biennium capital request process. The submittal includes detailed capital investment budgets, funding sources and cash flow projections, an analysis of how the project supports the university's goals as stated in its master plan and any other data that supports the need for the project. In addition an outcome analysis for the project based on enrollment projections, student retention and graduation rates must be submitted. The HECC determines funding priorities using a point system that takes into consideration criteria that include each request's consistency with the institution's master plan, demonstrated need, and the ability of the project to raise matching non-state funds. Once underway, the project costs are tracked weekly and reviewed regularly by a committee made up of the project manager(s), the executive director of facility management services, director of business affairs, the executive director of procurement and contracts, and the vice president for finance and administration.

Debt Capacity and Policy

Debt for capital outlay purposes is periodically reviewed, carefully controlled, and justified, so as not to create an unreasonable drain on resources available for educational purposes. Currently the State Board of Higher Education (SBHE) policy requires debt must stay within a 7% burden ratio. This policy can be adopted by the Board or changed if found necessary. Taxable and tax-exempt state debt can be issued through the State of Oregon with legislative approval in the form of G Bonds (100% match of raised funds), and F Bonds (self-liquidating and self-supporting

Facility Challenges & Capital Renewal, Code, and Safety (Deferred Maintenance)

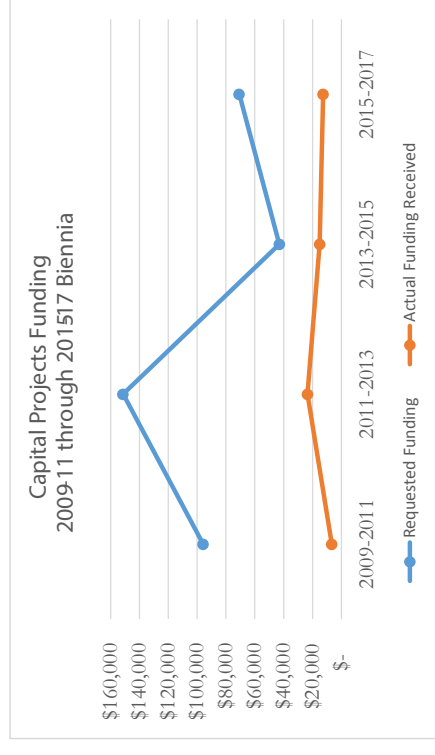
Oregon Tech continually seeks to attract new and train existing students. To meet expectation of a technology university, it is essential that key areas of the Klamath Falls campus reflect this, exemplify a state of the art institution, provide desired resources, and show that value of attending Oregon Tech. Currently, there are buildings on the Klamath Falls campus that only marginally meet programmatic infrastructure and technology needs. A struggle remains in how to update these facilities and still provide the best value to students without excessive tuition increase. The Klamath Falls campus is showing its age and this is evidenced on its backlog of deferred maintenance list. The approximate cost for deferred maintenance on the Klamath Falls campus is \$34M. Additionally, as a university with technology focused curriculum, it is imperative that Oregon Tech facilities are equipped with cutting edge technology and appropriate IT staff. As Oregon Tech enrollment grows, it is necessary for the university to accommodate students with diverse needs, including ADA access and non-traditional, and veteran student support.

OREGON TECH
SUMMARY OF CAPITAL PROJECTS FUNDED
BY TYPE OF FUNDING

	TOTAL	XI-G Bonds	Lottery Bonds	Energy Loans/ SELP	Seismic Bonds	XI-F Bonds	Q Bonds	Institutional Funds	Other (Gifts/ Grants)
(\$ in thousands)									
Fiscal Years 2009-2011 Total Project Requests	\$ 95,900	\$ 60,700	\$ 20,600	\$ -	\$ 10,000	\$ 2,000	\$ -	\$ -	\$ 2,600
Fiscal Years 2009-2011 Projects Funded ¹	6,600	2,000	-	-	-	2,000	-	-	2,600
Percent of Requests Funded	6.9%	3.3%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
Fiscal Years 2011-2013 Total Project Requests	\$ 151,400	\$ 75,700	\$ 23,600	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ 42,100
Fiscal Years 2011-2013 Projects Funded	23,500	-	20,000	-	-	-	-	-	3,500
Percent of Requests Funded	15.5%	0.0%	84.7%	0.0%	0.0%	0.0%	0.0%	0.0%	8.3%
Fiscal Years 2013-2015 Total Project Requests ²	\$ 43,000	\$ 11,250	\$ 11,000	\$ 1,500	\$ -	\$ 11,900	\$ 1,100	\$ -	\$ 6,250
Fiscal Years 2013-2015 Projects Funded	15,000	-	-	-	-	11,900	3,100	-	-
Percent of Requests Funded	34.9%	0.0%	0.0%	0.0%	0.0%	100.0%	35.5%	0.0%	0.0%
Fiscal Years 2015-2017 Total Project Requests	\$ 70,856	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ 66,356	\$ 750	\$ 750
Fiscal Years 2015-2017 Governor's Requested Budget (GRB)	12,632	-	-	-	-	-	10,920	1,712	-
Percent of Requests Recommended by Governor's Budget	17.8%	0.0%	0.0%	0.0%	0.0%	0.0%	16.5%	0.0%	0.0%

Projects Approved

2009-2011-Geothermal Renewable Energy Demonstration	\$ 6,600
2011-2013-Portland Metro Campus Consolidation	\$ 20,000
2011-2013- Geothermal Renewable Energy	3,500
	<u>23,500</u>
2013-2015 - InFocus Building Acquisition (Wilsonville)	\$ 10,000
2013-2015 - Cornett Hall Design ³	2,000
2013-2014 - Klamath Falls Tunnels	1,100
2013-2015 - Soccer Field/Track	1,900
	<u>15,000</u>
2015-2017 Requested	
Engineering & Technology Building Phase One	\$ 12,632
Cornett Hall Renovation and Modernization Phases Two & Three	35,368
Student Center Building	15,437
Boivin Hall Renovation & Modernization	7,419
Total Requested	<u>\$ 70,856</u>



¹In February 2009, Oregon Tech was allocated \$7,305,000 of federal stimulus funds for deferred maintenance and academic modernization projects which was primarily used for Owens Hall renovation.

²Includes Oregon Legislative Emergency Board (E-Board) award in March 2014 of \$1.1M in XI-Q bonds to repair infrastructure in tunnels on Klamath Falls campus; bonds to be sold in spring 2015

³Plus \$1.9M of F-Bonds that became available in March 2014 used for new soccer field and track

⁴Request to repurpose and use for technology enhancements

Capital Funding Sources & Project Classification

State-Supported Funding Sources

- **Article XI-G:** Defined by XI-G of the State Constitution, Article XI-G bonds may be issued to support E&G projects as long as they are matched equally by the General Fund, Lottery Bond proceeds, gift funds, or other funds available to the university for that purpose. Debt service on Article XI-G bonds is paid from the state General Fund within the operating budget. No appropriations are received for debt service in the biennium in which the bonds are approved.
- **Article XI-M:** Defined by XI-M of the State Constitution, Article XI-M bonds may be issued for projects that are related to seismic mitigation, for facilities in Higher Education, K thru 12, and emergency services related buildings. This was a new funding type for 2007, supported by state general funds.
- **Article XI-Q:** Defined by XI-Q of the State Constitution, Article XI-Q bonds may be issued for projects that are related specifically to acquiring, constructing, remodeling, repairing, equipping or furnishing real or personal property that is or will be owned or operated by the State of Oregon, including, without limitation, facilities and systems. In particular, XI-Q bonds provide a source of funds for technological enhancements, and may be campus and/or state-funded.
- **Lottery Bonds:** Oregon's Lottery Bond proceeds are used to support education, economic development and natural resources programs. Administered by the Department of Administrative Services, with State Lottery Revenue pledged to pay the debt service.

Campus-Supported Funding Sources

- **Article XI-F (I):** Defined by XI-F of the State Constitution, Article XI-F bonds may be issued for projects that are self-supporting and self-liquidating. Each campus and auxiliary is responsible for their share of the debt service. Projects not selling bonds within two years may request reauthorization in succeeding Legislative session.
- **State Energy Loan Program (SELP):** SELP offers low-interest, long-term loans for any qualified Oregon project that invests in energy conservation, renewable energy, alternative fuels, or creating products from recycled materials. Oregon general obligation bonds provide the funds for the loans are structured so that energy savings and General Funds cover the loan payment SELP loans may be campus and/or state-funded.
- **Higher Education Revenue Bonds:** Higher education revenue bonds are issued by the university system with the principal and interest secured by future campus revenues, including tuition and fees.

Other Funding Sources

- **Gifts, Donations, Grants:** Funding provided from donors or organizations to support capital projects and related programming.

Capital Project Classification

Auxiliary (AUX)

- Funded primarily through the use of Article XI-F bonds, repaid through revenues generated by the facility operations.
- AUX Examples: Campus Housing, Dining Facilities, Parking Lots/Structures, and Athletics Facilities.

Education and General (E&G)

- Eligible to receive state General Fund revenues and Article XI-G bonds, these facilities provide instructional space, administrative and campus support facilities necessary for the university.
- E&G Examples: Libraries, classrooms, research laboratories

Student Building Fee (SBF)

- A legislatively mandated fee paid by students each term that serves as the source of debt repayment. Capital construction projects are primarily funded through Article XI-F bonds and repaid through revenues generated by operating the facility.
- SBF Examples: Student housing, Parking Lots/Structures, Student Unions and Athletics Facilities.

**OREGON INSTITUTE OF TECHNOLOGY
DEBT BURDEN RATIO ANALYSIS**

	Per Audited Financial Statement		Per Audited Financial Statement		Per Audited Financial Statement for 2014 Estimated for 2015	
	6/30/2012 (In thousands)	6/30/2013 (In thousands)	6/30/2013 (In thousands)	6/30/2014 (In thousands)	6/30/2014 (In thousands)	6/30/2015 (In thousands)
Operating Expense	54,177	58,918	58,918	58,832	58,832	56,132
Debt Service (Includes SELP subsidy)	2,807	2,809	2,809	3,408	3,408	3,488
Depreciation	(3,465)	(3,783)	(3,783)	(4,262)	(4,262)	(4,262)
Operating Expense for Debt Burden Ratio	53,519	57,944	57,944	57,309	57,309	55,358
Debt Burden Ratio (Line 23/Line27)	5.24%	4.85%	4.85%	4.78%	4.78%	6.30%

Current OUS Policy Guideline:

Debt burden ratio maximum is 7%; see OUS Board policy on Debt adopted on March 1, 2010

