MINUTES

Committee Members Present: Mark Baldwin, Darry Callahan, Elson Floyd (vice chair – attended telephonically), Laura Naumes, Taylor Sarman, Kirk Schueler (chair), Mike Thorne, Ed Ray (ex officio), Pat Reser (ex officio), and Glenn Ford (ex officio)

Other Trustees Present: Rani Borkar, Michele Longo Eder, Orcilia Forbes, Paul Kelly, and Brenda McComb

University Staff Present: Sherm Bloomer, Steve Clark, Stephen Fitzgerald, Mike Green, Mark Huey, Jan Lewis, Nicole Neuschwander, Kirk Pawlowski, Linda Powell, Sabah Randhawa, Meg Reeves, Patti Snopkowski, and Marcia Stuart

Guests Present: Susan Musselman (Director, Financial Advisory, Public Financial Management), Monique Spyke (Director, Asset Management, PFM), Thomas Toepfer (Sr. Managing Consultant, PFM), Tim Marble (President, Marble Law Office, P.C.), Jeff Comfort (Vice President, Principal Gift and Gift Planning, OSU Foundation) and Penny Burgess (Director of Treasury Services, University Shared Services Enterprise)

1. Call to Order
   Committee Chair Kirk Schueler called the meeting to order at 1:04 p.m., asked the Assistant Board Secretary to call the roll, and noted a quorum.

2. Approval of Minutes of July 8, 2014 Finance and Administration Committee Meeting
   On a motion made and seconded, the Committee approved the July 8, 2014 minutes of the Finance and Administration Committee as presented.

3. Action Items
   a. FY15 and FY16 Committee Work Plan and Meeting Schedule
      The Committee reviewed the proposed work plan and meeting schedule. Following a brief discussion, a motion was made and seconded to approve the same. Motion carried unanimously.
   b. Proposed Acceptance of Matteson Property Gift
      Vice President for Finance and Administration Glenn Ford introduced Dr. Stephen Fitzgerald, director of the OSU College of Forestry Research Forests; Nicole Neuschwander, associate director of Real Estate and Space Management; OSU Foundation Vice President Jeff Comfort; and Tim Marble, attorney for the Matteson estate.
Mr. Ford advised that the Matteson property is composed of five parcels of timber property totaling about 181.11 acres located in Washington County, Oregon, and was gifted to Oregon State by Mr. Marion Matteson. The conditions of the gift property state that the property will be actively managed on an ongoing basis in order to produce income from forest-related activities and that the income will provide funding for College of Forestry programs, exclusively (see page F-7 of the docket materials for further conditions). Mr. Comfort and Mr. Marble provided comments. A motion was made and seconded to recommend that the Board accept the Matteson Property Gift of five parcels of timber property, zoned Exclusive Forest and Conservation District, totaling approximately 181.11 acres in Washington County, Oregon. Motion carried unanimously.

c. Proposed Public University Fund Investment Policy

Mr. Ford indicated that the Public University Fund (P.U.F.) was established by the Legislature in 2014 so that public universities in the state could continue to pool their cash balances to improve investment returns. In order to provide appropriate controls over the investments of the monies in the P.U.F., it is necessary for Oregon State University – as the Designated University – to adopt an investment policy that sets forth guidelines pertaining to investment of these monies. Associate Vice President Mike Green provided background, noting that the Oregon University System established an internal bank in 2010, which combined cash balances from all OUS universities for liquidity management and investment purposes. Then in 2014, House Bill 4018 established the P.U.F. for the purposes of pooling cash balances of the public universities after implementation of Senate Bill 270. OSU was subsequently designated to have the responsibility and authority to administer the P.U.F., and the university associate vice president for finance and administration has been delegated the oversight responsibility for the daily administration activities of the P.U.F. It was noted that the administrative costs associated with the fund are covered in an established fee structure applied to the participating universities.

Ms. Monique Spyke, director of PFM Asset Management, provided an in-depth look at the proposed public university fund investment policy. Following discussion, a motion was made and seconded that the Finance and Administration Committee recommend to the Board that it approve the Public University Fund Investment Policy included as Attachment A – Public University Fund Investment Policy in the committee meeting docket. Motion carried unanimously.

d. Proposed University Treasury Management Policies

Mr. Ford introduced Penny Burgess, director of Treasury Management, University Shared Services Enterprise (USSE), and Susan Musselman, director, PFM.

i. University Treasury Management Policies (University Internal Bank Policy, University Investment Policy, and University Debt Policy)

Mr. Ford introduced the University Treasury Management policies discussion. He explained that there were three policies for the Committee to consider:

- University Internal Bank Policy – guides the activities of the OSU Internal Bank;
• University Investment Policy – guides the investment of OSU’s cash balances; and
• University Debt Policy – guides the management of OSU’s debt portfolio.

ii. University Internal Bank Policy
Mr. Green provided an overview of the proposed University Internal Bank Policy. President Ray recommended that the vice president for finance and administration and the provost/executive vice president participate on the oversight of the Internal Bank. Following the presentation and brief discussion, the committee recommended that the policy be amended as follows to include oversight by the Provost and Executive Vice President, and by the Vice President for Finance and Administration:

On page F-23, in Section II ("Management of the Internal Bank"), revise the second sentence to read:

"...The University Vice President for Finance and Administration delegates to the University Associate Vice President for Finance and Administration, with oversight by the Provost and Executive Vice President and the University Vice President for Finance and Administration, the responsibility for management of the Internal Bank. The Associate Vice President may employ staff to provide the services that align with the goals of the Internal Bank...."

With the amendment to the policy, a motion was made and seconded that the Finance and Administration Committee recommend to the Board that it approve the University Internal Bank Policy included as Attachment A – DRAFT Oregon State University Internal Bank Policy in the committee meeting docket as amended. Motion carried unanimously.

iii. University Investment Policy
Ms. Spyke provided an overview of the proposed University Investment Policy. Mr. Baldwin asked if there were an ethical component embedded within the policy (such as sustainability, social investing, etc.) and was informed that the policies did not encompass any particular social responsibility guidelines. Mr. Schueler recommended that the committee be informed about what socially responsible investing would entail and asked that the topic be included on the work plan for a future meeting. Following the presentation and brief discussion, the committee recommended that the policy be amended as follows to include joint oversight by the Provost and Executive Vice President and by the Vice President for Finance and Administration:

On page F-27, in Section V ("Delegation of Authority"), revise the first sentence to read:

"The management responsibility for the investment program is hereby delegated by the University Vice President for Finance and Administration to the University Associate Vice President for Finance and Administration,
with oversight by the Provost and Executive Vice President and the University Vice President for Finance and Administration...."

With the amendment to the policy, a motion was made and seconded that the Finance and Administration Committee recommend that the Board approve the University Investment Policy included as Attachment B – DRAFT Oregon State University Investment Policy in the committee meeting docket as amended. Motion carried unanimously.

iv. University Debt Policy

Ms. Musselman reviewed the proposed University Debt Policy with the Committee. Following the presentation and brief discussion, a motion was made and seconded that the Finance and Administration Committee recommend that the Board approve the University Debt Policy included as Attachment C – Oregon State University Debt Policy in the committee meeting docket. Motion carried.

e. FY14 Q4 Operating Management Report

Mr. Ford indicated that the fourth quarter operating management report presents the operating results of the three operating fund groups; Education and General, Self-Support and Restricted Funds for fiscal year 2014 (July 1, 2013 to June 30, 2014). The transition to a university with an independent board of trustees, a separate audited financial report, and its own credit rating supporting a revenue bond program is a significant change. The timing of both the changes in university financial leadership and the new governance structure has provided the University with opportunities to review the ways in which it has done business in the past and to think about ways in which Oregon State can position itself to be successful in this new paradigm. So this report represents a transition point – a moving from prior realities and assumptions as part of a large university system to one with different thresholds and closer analysis. Variances noted in this report point to opportunities to evaluate current practices and set about changes that will help the University to improve its coordination, communications and business processes.

As noted in the last page of the report, efforts to improve the integration, planning and budgeting for the operating units of the University began several months ago. A team of leaders within the division of finance and administration is working to develop new business practices with an initial focus on budget development and monitoring processes. Additionally, some organizational changes were made that will serve to strengthen policies and integrate planning and budgeting for all self-support units. The focus on the budget development and monitoring process will positively impact the quality of the budgets and related projections into the future.

Mr. Ford also pointed out that FY2014 was a challenging budget year for Athletics, and FY2015 is expected to be challenging as well. The year-end operating deficit was $5.9 million, and the liability of a coach’s salary was also associated with FY2014. Mr. Green provided a detailed report on the 2014 fourth quarter operating results. Following a brief discussion, a motion was made and seconded to approve the FY14 Q4 operating management report. Motion carried unanimously.
4. Discussion Items
   a. **FY15 Operating Budget**
   b. **2015-17 State Funding Process**
   c. **State Treasury Managed Endowment Fund Verbal Update**

   Due to limited time, items 4a., 4b. and 4c. were deferred to the January 2015 committee meeting.

5. Education Items
   a. **Bond Rating Process – “Bonds 102”**

      Mr. Green advised that, in preparation for the first revenue bonds sale during Spring 2015, which is anticipated to be $60 million, a financing team has been assembled that includes Ms Musselman (PFM), Stacy Lewis (partner, Pacific Law Group, Seattle) and a marketing team that will be selected in the near future.

      Ms. Musselman shared an overview of the bond-rating process. As a result of the new governance model, OSU may issue revenue bonds backed by its own credit and, accordingly, those bonds will require a credit rating separate from the State of Oregon’s credit rating; therefore, this rating process has been initiated for Oregon State. The rating agencies conduct a holistic credit review of the University and base the credit rating on both quantitative and qualitative factors. Qualitative factors include background and history of the issuer; political and regulatory environment; management quality, experience, track record, and attitude toward risk; management, governance structure and communication; and overall strategy, philosophy and strategic plan.

      Ms. Musselman noted that OSU is a land-grant institution with the Carnegie Foundation’s top designation for research institutions and its prestigious Community Engagement classification, a long operating history, a highly regarded president and management team, and a well-qualified Board of Trustees. Currently the financing team is evaluating the three rating agencies—Moody’s, S&P, and Fitch—in order to determine the best agency with which to contract. In order to make this determination, the rating agencies will tour the campus and meet with the president, vice president for finance and administration, and the executive management team.

   b. **Long-range Capital Plan Development Process – “Capital 102”**

      Due to limited time, this item was deferred to the January committee meeting.

6. Adjournment

   There being no other business, the meeting was adjourned at 4:50 p.m.

   Respectfully submitted,

   Mark Huey
   Assistant Board Secretary