



## The Board of Trustees of Oregon State University

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### Regular Meeting of the Finance & Administration Committee

March 18, 2015

Willamette Room, CH2M Hill Alumni Center  
Corvallis, Oregon

### MINUTES

**Committee Members Present:** Mark Baldwin, Patty Bedient, Darry Callahan, Glenn Ford (*ex officio*), Laura Naumes, Ed Ray (*ex officio*), Pat Reser (*ex officio*), Taylor Sarman, Kirk Schueler (*chair*), and Mike Thorne

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

**University Staff Present:** Sherm Bloomer, Steve Clark, Debbie Colbert, Becca Gose, Mike Green, Mark Huey, Kirk Pawlowski, Linda Powell, and Patti Snopkowski

**Guests Present:** Stacey Lewis (*partner, Pacifica Law Group*), Susan Musselman (*director, Financial Advisory, Public Financial Management, PFM*), and Monique Spyke (*director, Asset Management, PFM*)

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

Committee Chair Kirk Schueler called the meeting to order at 1:11 p.m., asked the Assistant Board Secretary to call the roll, and noted a quorum.

#### 2. Consent Item

##### a. Minutes of the January 15, 2015 meeting

A motion was made and seconded to approve the January 15, 2015 Committee minutes as presented; the motion carried.

#### 3. Action Items

##### a. FY2015 Q2 Operating Management Report

Vice President of Finance and Administration Glenn Ford and Associate Vice President of Finance and Administration Mike Green provided a detailed report for the second quarter of FY2015 for the three operating fund groups: Education & General, Self-Support, and Restricted funds. Green advised that no significant concerns were noted during the quarter. Following a brief discussion, a motion was made and seconded to accept the FY2015 second quarter operating management report; the motion carried unanimously.

**b. FY2015 Q2 Investment Report**

Ford and Green presented the second quarter investment report for FY2015, focusing on the Public University Fund and investments of the operating and endowment assets of the University. Following their report, a motion was made and seconded to accept the FY2015 second quarter investment report; the motion carried unanimously.

**c. Metrics**

Ford and Director of Budget and Fiscal Planning Sherm Bloomer described the ten key metrics proposed to track financial, facilities and space use characteristics that were discussed with the Committee at their January 2015 meeting. Bloomer reported that staff will develop ranges, as appropriate, for each of the metrics as part of the business plan. Staff will maintain current values for each of these metrics and will update them annually or as appropriate. The Committee asked about additional metrics and Ford indicated we could add additional metrics in the future should we find these 10 to be inadequate. Following the discussion, a motion was made and seconded that the Committee adopt the ten metrics and direct staff to maintain current values for the measures and report those to the Committee as appropriate; the motion carried unanimously.

**d. FY2016 Tuition Rates, Mandatory Fees and Student Incidental Fees**

Schueler noted that the Board had approved the University's plan to eliminate the tuition plateau at its March 2014 meeting. Ford further explained that University administration began the discussion of eliminating the tuition plateau with student government representatives and the State Board of Higher Education four years ago. To lessen the financial impact on students, the plateau elimination process was to be phased in over three years and included transitional funding for financial aid and freezing differential tuition increases. Bloomer reviewed the recommended tuition rates, mandatory fees, and student incidental fees. He also described the process used to develop the recommended rates and fees. Key cost drivers were also presented.

Ford clarified that some of the proposed rates and fees exceed the 5% threshold under Senate Bill 270 so must be submitted to the Higher Education Coordinating Commission (HECC) for approval, if approved by the OSU Board of Trustees.

The Committee discussed the proposed tuition rates and fees in detail asking for more information about the impact of eliminating the plateau on staff fee rates. Committee members also asked staff, moving forward, to make even more explicit the links between proposed tuition increases and Strategic Plan 3.0 metrics.

Following discussion, a motion was made and seconded for the Committee to recommend the FY 2015-16 tuition and fee proposals to the Board for approval, noting that approvals of the rate proposals for undergraduate resident tuition, health fees, and student incidental fees are contingent on approval by HECC. The motion carried unanimously.

**e. Issuance of OSU Revenue Bonds**

Ford introduced the request, noting that the requested bond issuance will reimburse the University for substantial expenditures already made on projects and provide matching funds for State-issued bonds. Ford asked Green to review the projects to be financed,

the impact of bond issuance on the University's debt policy ratios, and key provisions of the bond sale resolution.

The Committee reviewed the resolution authorizing the issuance of general revenue bonds. Following a discussion of the proposed resolution, Trustee Callahan moved and Trustee Baldwin seconded that the Committee recommend to the Board that it adopt the resolution provided in Attachment 1 of Tab M, authorizing the issuance of one or more series of general revenue bonds of the University in the aggregate principal amount not to exceed \$57.5 million for the purpose of financing the acquisition of and improvements to University facilities and to pay the cost of issuance of such bonds. The motion carried unanimously.

**f. Treasury Managed Endowment Fund**

Ford introduced Steve Schauble, Vice President and Chief Financial Officer, OSU Foundation, and Monique Spyke, Director of Asset Management at PFM. Ford noted that at its January 15, 2015 meeting the Committee authorized staff to work with the OSU Foundation to develop an investment management contract for the Foundation to manage the endowment and quasi-endowment funds of the University, previously owned by the Oregon University System (prior to 7/1/14). Moving the endowment investments to the Foundation is a step in building a new long-term funding source for the Foundation as part of the University's commitment to build a best-in-class advancement program and to prepare for the next comprehensive fundraising campaign. Ford noted that in comparing the fee charged by the State Treasurer to the fee proposed by the Foundation, several components – e.g., the base fee structure of each of the two managing entities, the amounts that would be provided by the Foundation to the University to support strategic areas of the University, and the costs borne by the University under the current structure – need to be considered together in order to analyze the fees comprehensively. Following further discussion, several trustees expressed confidence in the Foundation's fiduciary oversight.

A motion was made and seconded that the Committee authorize staff to execute a fund management agreement with the OSU Foundation with the terms and conditions as described in the materials (Tab N) and in a form substantially similar to the draft Fund Management Agreement (Tab N, Attachment 1), subject to execution of the separate Funding Agreement (Tab N, Attachment 2). The motion carried. Staff was then directed to report back to the Committee if the terms of the Funding Agreement are materially changed in the future.

**4. Discussion Item**

**a. FY2016 Operating Budget Outlook**

Bloomer reported on the budget outlook for Education & General (E&G) funds, grants and contracts, and auxiliary services for FY2016. Bloomer noted that uncertainties in the University E&G budgets are at the state level. The Co-Chairs' budget in the Legislature is significantly higher than the Governor's proposed budget; however, the "kicker" law may affect available revenues. Sherm also noted that the outcomes-based funding model being developed by HECC may be approved at the end of April and may affect funding levels.

The statewide public services have requested \$16 million and, although there is legislative support, it is uncertain at this time whether this will be passed by the Legislature.

Although Athletics continues to project an operating deficit for 2015, it is anticipated that 2016 will see increased gift levels and season ticket sales.

**5. Adjournment**

With no further business proposed, the meeting was adjourned at 4:54 p.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark Huey', written in a cursive style.

Mark Huey  
Assistant Board Secretary