



The Board of Trustees of Oregon State University

Regular Meeting of the Finance & Administration Committee

May 28, 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 (*by phone*), Pat Reser (*ex officio*), Kirk Schueler (*chair*), and Mike Thorne

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

University Staff Present: Sherm Bloomer, Steve Clark, Debbie Colbert, Mike Green, Mark Huey, Becky Johnson (*by phone*), Jan Lewis, Kirk Pawlowski, Linda Powell, Patti Snopkowski and Marcia Stuart

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

Committee Chair Kirk Schueler called the meeting to order at 2:30 p.m., asked the Assistant Board Secretary to call the roll, and noted a quorum.

2. Report from the Vice President of Finance and Administration/CFO

Vice President for Finance and Administration/CFO Glenn Ford reported that the Oregon State University (OSU) Foundation had approved a fund management agreement and a funding agreement with the University. The fund management agreement allows the University's funds that have been managed by the Oregon State Treasurer to be managed by the Foundation, effective July 1, 2015. The funding agreement will create a Strategic Initiatives Fund for OSU and a fund source for the OSU-Cascades master plan, both funded by the Foundation.

Ford also reported that the Higher Education Coordinating Commission (HECC) approved the University's proposed tuition rates, mandatory fees, and student incidental fees for FY2016. He noted that Associated Students of OSU support was instrumental in securing HECC's approval of the tuition rate proposal, which, due to structural changes in the tuition plateau, exceeded (on a weighted average basis) HECC's 5% threshold. In addition, Ford thanked Director of Budget and Fiscal Planning Sherm Bloomer for his work developing the tuition proposal. Ford also thanked those who participated in the activities related to the University's bond rating and announced that Moody's Investors Service had awarded Oregon State a bond rating of Aa3. He also reported that the University had sold \$56.8 million in tax-exempt and taxable bonds in support of capital projects.

Ford updated the Board on parking and housing in Corvallis, topics that were raised during public comments at the March Board Meeting. He said that a new interim parking development agreement had been put in place with the City of Corvallis. He also said the

city had approved its participation with OSU and representatives of the neighborhoods around the University in a Community Relations Advisory Group. The new group will serve as a clearinghouse for recommendations to forward to the city and University for possible action. In a related matter, Ford reported that the University is exploring a public-private partnership to develop a 2,000-bed project to increase campus housing and that his office would prepare a presentation on the topic for the Board at a future meeting.

3. Consent Item

a. Minutes of the March 18, 2015 meeting

A motion was made and seconded to approve the March 18, 2015 Committee meeting minutes as presented; the motion carried.

4. Action Items

a. FY2015 Q3 Operating Management Report

Ford and Associate Vice President of Finance and Administration Mike Green provided a detailed report for the third quarter of FY2015 for the three operating fund groups: Education & General, Self-Support, and Restricted. Ford noted that staff would report on the results of the fourth quarter of FY2015 at a Committee meeting to be scheduled for late summer.

Green advised that no items were flagged for the Education & General Funds. All burn rates, realization rates and changes in projections were within the established tolerances. For Self-Support Funds, he reported that the Sales & Services realization rate was below the seven-year average due to a change in the timing of revenues, that the Sales & Services revenue projection and Other revenue projection were increased due primarily to recognition of non-cash contributions and one-time receipts relating to intellectual property. He also reported the expenditure projections for Supplies & Services and for Capital Outlay were being increased. For the Restricted Funds category, Green reported that the Federal revenue projection was up due to increased federal grants and contracts, the State revenues realization rate is higher than the seven-year average due to a timing difference, and the expenditure projection for Supplies & Services and Capital Outlay increased to reflect the spending related to the increased Federal revenues.

Following a brief discussion, a motion was made and seconded that the Finance & Administration Committee accept the FY2015 Third Quarter Operating Management Report; the motion carried.

b. FY2015 Q3 Investment Reports

Ford asked Green to present the third quarter investment reports for FY2015, focusing first on the Public University Fund (P.U.F.). Green noted that the fund's total return for the quarter was 0.7% and that, during the quarter, the Oregon Short-term Fund and the Oregon Intermediate-term Fund performed in line with or slightly better than their respective benchmarks. He also noted that all investment allocations are within their policy limits. Turning to the investment report for the University, Green noted that the University's operating assets are invested in the P.U.F., which returned 0.7% for the quarter. He also reported that the endowment investments returned 2.4% for the quarter, which trailed its benchmark by 30bps, but the returns of the endowment funds have bested the benchmark for the prior 3- and 5-year periods. Green noted that a significant

portion of the endowment assets were held in cash, pending the transfer to the OSU Foundation for management.

Following this report, a motion was made and seconded to accept the FY2015 Third Quarter Public University Fund Investment Report and the FY2015 Third Quarter Oregon State University Investment Report; the motion carried.

c. FY2016 Operating Budget

Ford asked that Bloomer present the FY2015-16 operating budget. Bloomer provided an overview of revenues and expenditures and an assessment of challenges, uncertainties, and opportunities for each fund type. During the discussion that followed, Trustee Thorne asked for more contextual information in future discussions, such as a discussion of the framework within which investments are prioritized.

Following a lengthy discussion, a motion was made and seconded that the Finance & Administration Committee recommend to the Board that it approve the proposed operating budget for FY2015-16 as presented in Tab M, Tables 1A through 1D; the motion carried.

d. 2015-17 Biennium Capital Plan

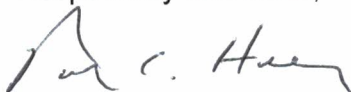
Ford provided an overview of the biennium capital plan and introduced University Architect Kirk Pawlowski. Pawlowski provided a description of each project included in the 2015-17 Biennium Capital Plan. Vice President, OSU-Cascades, Becky Johnson provided a review of the capital projects planned at OSU-Cascades Campus. Ford noted that IT systems infrastructure, the dining/academic center at OSU-Cascades, and the residence hall at OSU-Cascades would be financed through OSU-paid revenue bonds. As background for later discussions about financing these projects, Green provided a table showing OSU's existing and projected debt policy ratios, noting that even with the new debt resulting from the sale of revenue bonds to finance the three proposed projects, Oregon State's debt ratios would be better than the median ratios Moody's Investor Services required for Aa3 credit. Ford clarified that, although the pro formas for the projects funded with revenue bonds would be brought to the Committee for review; the projects are part of the list of proposed projects for the 2015-17 Biennium Capital Plan requiring Committee recommendation and Board approval. Ford said that he expects to bring a resolution to issue debt to the Committee and Board for approval in spring 2016.

Following further discussion, a motion was made and seconded that the Finance & Administration Committee recommend to the Board that it approve the 2015-17 Biennium Capital Plan; the motion carried.

5. Adjournment

With no additional business proposed, Schueler adjourned the meeting at 5:50 p.m.

Respectfully submitted,



Mark C. Huey
Assistant Board Secretary