



The Board of Trustees of Oregon State University

Regular Meeting of the Finance & Administration Committee

January 9, 2015

Room A650, Kerr Administration Building
Oregon State University, Corvallis, Oregon

MINUTES

Committee Members Present: Mark Baldwin (*by phone*), Patty Bedient (*by phone*), Darry Callahan (*by phone*), Elson Floyd (*vice chair – by phone*), Taylor Sarman (*by phone*), Kirk Schueler (*chair – by phone*), Mike Thorne (*by phone*), Pat Reser (*ex officio – by phone*), and Glenn Ford (*ex officio*)

Other Trustees Present: Brenda McComb and Ed Ray

University Staff Present: Sherm Bloomer, Mike Green, Mark Huey, Jan Lewis, Linda Powell, Nicole Real, Meg Reeves, Patti Snopkowski, and Marcia Stuart

1. Call to Order

Committee Chair Kirk Schueler called the meeting to order at 4:00 p.m., asked the Assistant Board Secretary to call the roll, and noted a quorum.

2. Action Items

a. FY15 Q1 Operating Management Report

Mr. Schueler noted that this committee meeting was a mid-period review of the first quarter operating management and investment reports. He noted that it is intended that future mid-period reviews will be closer to the end of the fiscal quarter. He then asked Vice President for Finance and Administration Glenn Ford to provide the committee with an overview of the FY15 Q1 (Fiscal Year 2014-15 first quarter) operating management report. Mr. Ford provided an overview of the report and asked Associate Vice President for Finance and Administration Mike Green to provide a more detailed explanation of the budgets for the Education and General (E&G), Self-support, and Restricted fund groups.

Mr. Green noted that staff had added the Adjusted Budget column to the report to reflect adjustments to the original budgets the Board adopted in July 2014 and to provide accountability to the original budget. Mr. Green walked the Committee through detailed explanations for the highlighted variances in the Education and General Funds, the Self-Support funds, and the Restricted Funds reports. Specific to the discussion on the Self-Support funds, Mr. Green noted that the current amount shown for the adjusted budget in the Additions/Deductions to Unrestricted Net Assets line was \$700,000. He said that this amount should have included debt principal amounts to be paid during the year that were included as a Sales & Services expense in prior years. Moving debt principal amounts out of expenses to Additions/Deductions is considered a best practice. Including the debt principal of \$5.221 million in the report, Mr. Green said, brought the total for the Additions & Deductions from Net Assets to \$5.921 million in the Adjusted Budget, the Projected Variance from Budget, the year-end projection, and the Change

from prior quarter projection columns. Mr. Green then walked the Committee through the effects of this change through the end of the report. The revised projection for Ending Unrestricted Net Assets is 32.4% of operating revenues, which is up \$2,000, or 0.8%, from the original budget.

Also during the discussion on the self-support funds, Mr. Schueler noted that the net effect of all of the variances discussed shows a deficit for the current year that should be monitored. Mr. Ford indicated that Nicole Real, recently promoted Director of Capital Budgeting and Self-Support Fund Budget and Resource Planning, was working with self-support fund leaders regarding this issue.

In concluding his remarks, Mr. Green noted that an amended report, including the changes noted above related to the self-support debt principal payments, would be distributed by the Board Office.

The Committee discussed categorizing adjustments to understand the nature of changes. Mr. Schueler stated that he would work with Mr. Ford on the matter.

Following discussion, a motion was made and seconded to accept the FY15 Q1 Operating Management Report as amended. The motion carried unanimously.

b. FY15 Q1 Investment Reports

Mr. Schueler asked Mr. Ford to provide the committee with an overview of the FY15 Q1 investment reports. Mr. Ford provided an overview of the reports and asked Mr. Green to provide the committee with a more detailed explanation. Mr. Green noted that the FY15 Q1 reports covered both the Public University Fund (P.U.F.) administered by OSU for the benefit of all participating public universities and the investments of the university, including the operating assets invested in the P.U.F. and the endowment and quasi-endowment funds. Mr. Green also noted that the report provided to the committee as part of the meeting docket was composed of three sections: (1) the FY15 Q1 market background that provides a general discussion of the investment markets and related performance information for the quarter; (2) the FY15 Q1 performance report of the P.U.F., and (3) the FY15 Q1 performance report of the University's investments.

Regarding the FY15 Q1 investment performance results for the P.U.F., Mr. Green explained that assets of every public university with the exception of the University of Oregon are held in the P.U.F. and invested in their entirety with the State Treasurer, in accordance with the investment policy. The investments at the State Treasury consist of an allocation to each of the following investment pools: (1) the Oregon Short-Term Fund, (2) the Oregon Intermediate-Term Pool, and (3) the P.U.F. Long-Term Pool, which was created by the Treasury specifically for the P.U.F. The P.U.F. investment return for the quarter was 0.2%, with each allocation besting its related benchmark.

Regarding the investment report for the University, Mr. Green highlighted those allocations whose returns were lower than their respective benchmark returns. As noted above, Mr. Green reported, the University's operating assets are invested in the P.U.F., which returned 0.2% for the quarter. The endowment assets that are invested in the pooled endowment fund managed by the State Treasurer also returned 0.2% for the quarter, coincidentally the same return as the P.U.F. Mr. Green also reported that the

total return exceeded its benchmark by 80 basis points (bps) for the quarter and had exceeded its benchmark for all periods presented.

Mr. Green next discussed the returns of specific allocations within the fund. He noted that the allocation to cash was being held in excess of the asset allocation range due to the need to maintain liquidity in anticipation of potential investment management changes. He noted again that the total return of the fund bested its benchmark return and that none of the underperforming allocations indicate that investment changes are needed at this time.

Following discussion, a motion was made and seconded to accept the FY15 Q1 Public University Fund Investment Report and the FY15 Q1 Oregon State University Investment Report. The motion carried unanimously.

3. Other Business

Trustee Thorne requested that staff prepare and distribute the quarterly reports within 4-6 weeks of the end of each quarter so that the reports, committee discussions and staff actions that may result from those discussions are timely. Mr. Schueler stated that the existing Work Plan called for telephonic meetings when standing committee meetings would not provide for timely review of quarterly reports, and expressed confidence in staff producing such reports within that time period in the future. Mr. Ford concurred, and stated that mid-period meetings would be scheduled for 4-6 weeks after the close of each quarter, when the standing meeting would not allow for timely review by the Committee.

4. Adjournment

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

Respectfully submitted,



Mark Huey
Assistant Board Secretary