



The Board of Trustees of Oregon State University

Regular Meeting of the Board of Trustees

October 21, 2016

Room 204, Tykeson Hall

OSU-Cascades

1500 SW Chandler Avenue

Bend, Oregon

MINUTES

Trustees Present: Mike Bailey, Mark Baldwin, Patty Bedient, Rani Borkar, Julia Brim-Edwards, Darry Callahan (*vice chair*), Michele Longo Eder (*by phone*), Paul Kelly, Brett Morgan, Laura Naumes, Ed Ray (*ex officio*), Pat Reser (*chair*), Kirk Schueler and Mike Thorne

University Faculty and Staff Present: Ron Adams, Sherm Bloomer, Susan Capalbo, Steve Clark, Debbie Colbert, Becca Gose, Mike Green, Kate Halischak (*president, Faculty Senate*), Mark Huey, Cindy Sagers, Patti Snopkowski, and Marcia Stuart

Guests: Neil Bryant (*chair, Higher Education Coordinating Commission*), Jon DeVaan (*chair, Oregon State University Foundation Board of Trustees*), Shawn Scoville (*executive vice president, Oregon State University Foundation*), and Molly Svendsen (*president, Associated Students of Cascades Campus*)

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

Board Chair Pat Reser called the meeting to order at 9:30 a.m., asked the assistant board secretary to call the roll, and noted a quorum.

Chair Reser then recognized Bend resident and long-time supporter of OSU-Cascades Harold Ashford for his service to Oregon State and, in particular, for serving 11 years to date on the board of the OSU Foundation.

2. Opening Comments and Reports

a. Chair's Comments

In her Chair's Comments, Reser expressed her feelings of privilege to participate in an OSU board meeting in the setting of OSU-Cascades. She said that it was very satisfying to see the dream of a new campus in Central Oregon become a reality. She thanked Vice President, OSU-Cascades, Becky Johnson and her staff for the hospitality they provided trustees and staff during the three days the Board had been on campus. Reser said that now that the Board had seen the campus and spoken with a number of the OSU-Cascades faculty and students they would have a new ease in talking about the campus as a reality, rather than only as a concept.

b. President's Report

Oregon State University President Ed Ray thanked Johnson and her staff for their hospitality and highlighted the work of Associate Vice President, Finance and Strategic Planning, Kelly Sparks in making the Cascades campus a reality and success. In his

report, Ray also highlighted the work of leaders at the Corvallis campus who are involved in areas ranging from the Student Success Initiative to sustainability to continuing work towards making Oregon State University a more diverse, inclusive and welcoming community. He also thanked Board Secretary Debbie Colbert and her staff as well as all those who presented at the Board Retreat for the work they had done to make the event a success.

Ray reported on his decision to site the new Marine Science Initiative (MSI) building on the Hatfield Marine Science Center in Newport, acknowledging the input of a number of individuals with whom he had spoken and thanking the other trustees for their thoughtful conversations. He said he had created an oversight committee, chaired by Dean of the College of Engineering Scott Ashford, an expert on resilient construction in earthquake and tsunami zones, to monitor the design, engineering and construction of the new building. The committee's charge includes keeping stakeholders informed; maintaining transparency of all the university's work regarding design, engineering, construction and safety operations; and ensuring the buildings are completed within budget and on time. Ray noted that he had requested that the new structure be built in such a way as to survive a magnitude 9.0 earthquake and provide a vertical evacuation site to complement the horizontal evacuation route already in place.

Ray highlighted the September 13, 2016, opening of the OSU-Cascades campus and noted that for him the high point of the event was seeing all 450 people in attendance standing and applauding Vice President Johnson for championing the project. He also reported on his annual address to the Faculty Senate on October 13, at which he addressed several of the same items he reported to the Board: the Student Success Initiative, financial challenges facing the university, and creating a community based on inclusive excellence and social justice. He reported that the search is underway for OSU's first permanent vice president and chief diversity officer and spoke about other activities related to diversity, inclusion and social justice on campus, including a recent town hall meeting, that have taken place since the Board's last meeting.

Ray reported that searches are also underway for the provost and executive vice president, vice president for finance and administration, vice president and athletic director, executive director, equal opportunity and access, and vice provost for Ecampus. He said that he and the university were fortunate to have exceptional individuals as interims in these positions until they could be filled permanently. He also noted that two new senior leaders have been hired: Roberta Marinelli, dean of the College of Earth, Ocean, and Atmospheric Sciences, and Javier Nieto, dean of the College of Public Health and Human Sciences. Ray also reported that research funding for FY2016 was \$336 million, \$28 million more than in FY2015. He ended his report speaking about donors to Athletics who also gave to support the university's academic mission, noting that over the past 15 years, Athletics received \$284 million from donors who also contributed \$340 million to support OSU academics.

c. Faculty Senate Report

Faculty Senate President Kate Halischak spoke by phone to the Board. She reported that the fall term was underway, having begun with University Day, which she emceed. She said that the Faculty Senate was holding elections to elect a new president-elect after the former president-elect took a senior administrative position, which precludes her from serving as Faculty Senate president. Halischak also reported that the Faculty

Senate had members on all the search committees for the senior leadership searches currently taking place and spoke to that membership as an example of how well shared governance is practiced at OSU. Halischak said that she would be participating in the Faculty Senate Coalition of the Pac-12 Conference annual meeting and listed some of the topics that would be covered at the meeting, including campus climate, diversity and inclusion; gaps in student academic and financial support; student debt and its effect on learning; shared governance; and the interface between academics and athletics. She highlighted some of the Faculty Senate's upcoming activities, which included presentations on the campus survivors' advocacy center and OSU150, as well as work to establish a new non-tenure track faculty title and to align the Faculty Senate's academic dishonesty policy with the policies of Student Affairs. In concluding her report, Halischak noted that this Board meeting was her last as Faculty Senate president. She thanked the trustees for their strong support of the university and noted the Board's remarkable ethos of thoughtful engagement.

d. Higher Education Coordinating Commission Report

Reser welcomed Higher Education Coordinating Commission Chair Neil Bryant and asked him to give the HECC report. Bryant noted his long-time home in Bend and his pleasure at attending the Board meeting on the OSU-Cascades campus, which he has seen grow over many years. He spoke about his meeting with the chairs of Oregon's public universities and noted that he hoped it would become an annual event. He spoke about the gift from Phil and Penny Knight and the University of Oregon's request for a match from the State of Oregon. He said that the governor assigned the request to the HECC, which indicated that it would address the request at its November 4, 2016, meeting and use the same process to respond to this request as it used to respond to the earlier capital request submitted collectively by the public universities. Bryant also reported that the HECC wants to be more strategic on its recommendations to the governor, and staff are committed to developing metrics by December. He said that, in its activities and reports, the HECC hopes to be as specific as possible about where it believes higher education in Oregon is and where it should be.

3. Public Comments

The following individual spoke during the Public Comments period:

- Douglas Lownsbery, doctoral candidate in science education in the College of Education, said that he supports the Marine Science Initiative but strongly opposes the decision to construct the MSI building in the tsunami inundation zone at the Hatfield Marine Science Center in Newport, Oregon. He asked the Board to reverse the decision to construct at this location and to commit instead to building outside the tsunami inundation zone and to move the current HMSC campus in phases to higher ground.

2. Opening Comments and Reports (cont.)

a. Associated Students of Cascades Campus Report

Molly Svendsen, president of the Associated Students of Cascades Campus, reported on the ASCC. She summarized the organization's history and purpose and noted some of the organization's current activities, such as revising the ASCC constitution, holding student elections in the spring, and developing increased student support services. She said that, with the opening of the new campus, one issue the ASCC will focus on is how student fees can best help with the future expansion of the campus.

b. Associated Students of Oregon State University Report

In the absence of Associated Students of Oregon State University (ASOSU) President Rachel Grisham, ASOSU Vice President and OSU Board member Brett Morgan gave the ASOSU report. Morgan said that ASOSU had had a successful start to the new academic year, particularly in building stronger relationships with other university organizations such as the Office on Institutional Diversity. Morgan noted that ASOSU had sponsored a voter registration campaign that signed up more than 4,500 students across campus. He reported that ASOSU is focusing on sexual assault and aiding survivors and said that ASOSU had created a video to highlight OSU's involvement in the national "It's On Us" campaign against sexual violence. He also reported that ASOSU was engaged with the student governments of the other Pac-12 Conference schools to create a conference video for the campaign. Morgan noted the sadness that many students were feeling at the death of Oscar Montemayor, associate director of Academic Success, who had worked at Oregon State for nearly 30 years, first with the Education Opportunities Program and later with Diversity and Cultural Engagement. Morgan said that Montemayor's impact on students was profound. As the son of migrants himself, Montemayor had a unique perspective that helped him serve as a mentor to and champion of hundreds of OSU students. Like Faculty Senate President Halischak, Morgan reported on students' engagement with the university's search committee process, noting it as an example of effective shared governance.

4. Consent Agenda

a. Minutes of the June 3, 2016, Board Meeting

On a motion made and seconded, the Board approved the consent agenda.

5. Reports of Standing Committees of the Board

a. Executive & Audit Committee

Executive & Audit Committee Chair Reser reported that the committee received a presentation on the General Counsel's annual report. She also reported that the committee approved the Office of Audit Services' October 2016 audit progress report and the committee's 2017 work plan. She said that the committee approved two other recommendations the Board would consider later in the meeting, the Board Officers' Report on the FY2016 comprehensive assessment of President Ray's performance and guidelines for presidential searches and selection.

b. Academic Strategies Committee

Academic Strategies Committee Chair Paul Kelly reported on the committee's October 20, 2016, meeting. He said the committee adopted its 2017 work plan and heard from Interim Provost and Executive Vice President Ron Adams on progress made on Strategic Plan 3.0. Kelly also said that Adams provided the committee with updates on the MSI building, the OSU-Cascades property, the OSU/City of Corvallis intergovernmental agreement and future planning around the relationship between the university and the city, and the start of construction of a 12-story all-wood building in Portland. That building, the first of its kind in the U.S., will be constructed using cross-laminated timber (CLT), a product being used in the College of Forestry's renovation of Peavy Hall, as part of the college's Oregon Forest Science Complex. Kelly noted that the Provost's Annual Report: Year in Review covered these items and others and provided additional detail about the various topics. Kelly said that Senior Vice Provost for

Academic Affairs Susan Capalbo gave a presentation at the committee meeting on the academic program review process. He noted that the presentation on the OSU extension service was a highlight of the committee meeting.

c. Finance & Administration Committee

Finance & Administration Committee Chair Kirk Schueler reported on the committee's August 25, 2016, and October 20, 2016, meetings. He said that at its August 25 meeting, the committee reviewed and accepted the fourth quarter operating management and investment reports. He reported that the committee also discussed the university's plans to respond to identified risks relative to research space needs as a part of the OSU's risk management program, the 2016 Board assessment results, and updates to the 2017 committee work plan.

At its October 20 meeting, Schueler reported, the committee approved its 2017 work plan and passed several action items to the Board, which, he said, would be presented in more detail later in the day. In addition, the committee received an update on the university's outreach and engagement plan for the Fiscal Year 2018 tuition-setting process, which includes the creation of a Student Budget Advisory Council. The plan will allow for earlier involvement by both students and the Board of Trustees in the development of tuition proposals, as well greater education around specific issues which impact tuition decisions. According to the engagement plan, in January, the Board will be presented with various tuition scenarios and a summary of the discussions to date. In March, the Board will review tuition scenarios and approve tuition rates for the following academic year. Schueler noted that this would be a challenging year for tuition and budget development because of uncertainty about state funding, the goal to keep tuition affordable for all students, and the investments OSU wants to make to meet goals for student success and progress on the strategic plan.

The F&A Committee also heard a progress report from the Intercollegiate Financial Sustainability Work Group, which was convened to develop and recommend to the President a balanced operating budget plan for athletics. Schueler said that the work group has reviewed a variety of topics about the current and past operations of athletics, comparisons to peer programs, and ideas for changes that, in some combination, could yield a balanced operating budget.

Finally, Schueler reported that the committee discussed the 10-year capital forecast, which is currently under development. He noted that the forecast will enable short- and long-term planning for investments in buildings and other infrastructure, together with their related financing, which will allow the university to respond to new opportunities in ways that reflect institutional priorities and OSU's mission. He said that the completed capital forecast will be integrated with the 10-year operating forecast to create the 10-year business forecast. This integrated forecast will be benchmarked against the approved financial metrics. Schueler concluded his report by noting that the integrated 10-year business forecast will be presented to the Board for approval in January and reevaluated by the Board in January of even years going forward.

6. Action Items

a. Calendar Year 2017 Work Plan

Reser introduced the item by calling trustees' attention to the list of Board accomplishments for 2016 and to the summary of trustees' assessment of the work of

the Board. Reser noted that the draft work plan for 2017 is intended to help the Board structure its activities to continue to fulfill its fiduciary responsibilities and provide for its engagement in strategic issues at the university. She noted that the Board will continue to be engaged in the university's diversity, inclusion, and social justice efforts, including the Board's own efforts to ensure Board diversity through implementation of the Trustee Recommendation Policy. She said that the Board will continue to listen actively to public comments and, where themes emerge and are appropriate, schedule educational items as follow-up to public comments.

Following a brief discussion, a motion was made and seconded to adopt the 2017 Board of Trustees work plan provided in Tab V, Attachment 1. The motion carried.

b. Board Officers' Report: FY2016 Comprehensive Presidential Performance Assessment

Reser said that the committee reviewed the report at its meeting on October 20 and forwarded it to the Board with a recommendation that it accept the report. The report describes the extensive process for gathering input and the high marks for President Ray in all categories of the performance assessment. Reser reported that the committee's discussion of the item at its October 20 meeting focused on the work President Ray accomplished during FY2016 and the progress the university has made under his leadership. She noted that the committee also appreciates the ambitious agenda that Ray proposes for next year, as it builds on the key strategic areas of the university: student success, community building, financial sustainability, and OSU-Cascades.

Following discussion, a motion was made and seconded to accept the Board Officers' report on the FY2016 Comprehensive Presidential Assessment. The motion carried.

c. Presidential Search and Selection Guidelines

Reser introduced the item by providing some background and noting that the proposed guidelines strike a good balance between having some structure in place to guide the Board when a vacancy happens and not overly prescribing how the process would work. Reser noted that the committee made a few minor changes to the proposed guidelines to accommodate the choice of one or more finalists,

A motion was made and seconded to recommend that the Board adopt the proposed presidential search and selection guidelines as they appear in Tab C, Exhibit A, with the amendments recommended by the committee. The motion carried.

d. FY2017 Capital Plan Amendment

Reser asked Finance & Administration Committee Chair Schueler to lead the presentation and discussion on the next three agenda items. Schueler reported that, at its October 20 meeting, staff presented to the committee the details of a proposed FY2017 Capital Plan Amendment. Schueler said that the amendment provides for the expansion of the Small Animal Veterinary Teaching Hospital and renovation of part of Magruder Hall, a \$10.0M capital project funded using \$5.0 from gifts and college funds and a \$5.0M loan from the university's internal bank. He noted that new revenues will cover all incremental operating costs, provide for a \$1.0M building reserve, and retire the debt in seven years through increased enrollments.

He said that this project will provide improved instructional space and experiential learning of medical, surgical, and client communication skills and noted that the increased space in the teaching hospital would expand the numbers and types of cases students can participate in. The proposed construction and renovation also provide space for expanded research in clinical trials and other types of studies. He reported that the committee's discussion focused on the communities that will be served by the expanded veterinary hospital and the mix of new students who would be recruited into the expanded programs. Schueler said that the timeframe in which the debt for this project would be retired, which is planned to be seven years, could be sooner if the college is able to dedicate increased gift funds to the reserve funds included in the project's pro forma. Schueler also said that, in a new approach for OSU, 10% of project costs will be held in a capital renewal fund, accumulated for ten or more years, and used to handle any major systems (i.e., HVAC, elevators) that may need to be upgraded during the life of the building. He noted that staff continue to refine a method of including reserve funds in future capital projects.

Following this presentation, a motion was made and seconded to approve the FY2017 Capital Plan Amendment, adding the Small Animal Veterinary Teaching Hospital Expansion and Magruder Hall Renovation to the 2015-17 Capital Plan, as described in Tab I. The motion carried.

e. Public University Fund Investment Policy Amendments

Schueler next reported that at the October 20 meeting of the Finance & Administration Committee, staff discussed with the committee proposed amendments to the Public University Fund (PUF) Investment Policy targeting divestment from fossil fuel-related securities. He noted that the amendments also tighten investment parameters to reduce potential volatility of returns. Schueler summarized the committee discussion from the previous day's meeting. He concluded by sharing that, while there was a robust discussion, the committee chose to forward the proposed amendments to the Board without a recommendation.

Following Schueler's remarks, there was an extended discussion of the Board regarding the proposed amendments to the PUF investment policy. Trustees remarked on whether approving fossil-fuel divestment is a symbolic gesture, given the small size of the proposed divestment. Trustees also acknowledged that a significant source of the funds in the PUF is tuition and discussed the extent to which the student voice should be considered, given the source of the funds. Trustees noted that the impact on the fund's investments would be minimal. Several trustees noted that it would be helpful for the Board to have a framework that guides how, when and why the Board would make such decisions in the future, considering that divestment requests could be made about issues other than fossil fuels.

Based on these comments, a motion was made and seconded to postpone until its January 2017 meeting action on amendments to the PUF policy and to direct the Finance & Administration Committee to develop and recommend a framework to the Board to guide its consideration of requests for investment policy changes. Trustee Callahan recused himself from voting due to conflict of interest. The motion carried.

f. Investment Policy Biennial Review and Amendments

Schueler reported that the Finance & Administration Committee had conducted a review of OSU's Investment Policy, which was approved by the Board on October 17, 2014. He said that staff had reviewed the current policy and determined that OSU has been operating within the established guidelines. He said that staff recommended an amendment to the policy to clarify that the vice president for finance and administration presents the quarterly investment reports to the Finance & Administration Committee, rather than to the full Board, consistent with the oversight and monitoring role identified in the committee's charter.

Following Schueler's report, a motion was made and seconded to amend Section X of the Investment Policy to clarify that the vice president for finance and administration presents the quarterly investment reports to the Finance & Administration Committee, rather than the Board, as provided in Tab K, Attachment 1. The motion carried.

g. Academic Program Termination: Master of Agriculture

Reser asked Academic Strategies Committee Chair Kelly to lead the presentation and discussion of the last two action items on the agenda. Kelly directed the Board's attention to the materials at Tab W noting that the current proposal would terminate the Master of Agriculture program. He said that the main reason for the proposed termination was low enrollment in the program; there are currently only five students in the program. Kelly said that students currently enrolled in the program will be able to complete their course of study under the program and are expected to finish by June 2018.

On a motion made and seconded, the Board approved the termination of the Master of Agriculture academic program, effective fall 2016, pending the approval of the Higher Education Coordinating Commission and the Northwest Commission on Colleges and Universities. The motion carried.

h. Academic Strategies Committee Charter Amendment

Kelly also led the discussion of this agenda item, providing the Board with background to the proposal and noting the proposed changes to the Academic Strategies Committee's charter. He reminded the Board that the committee was chartered to assist the Board in its oversight of the academic as well as the research and public service missions of the university. He said that at its August 19 meeting, the committee discussed changes to its charter that would remove outdated references to achievement compacts, which are no longer required by statute; better reflect the committee's broad oversight role by changing references to specific policies and broadening the language where appropriate (e.g., outreach and extension programs, research enterprise); delegate academic program approval to the committee to allow for more efficient and timely approval of these request; and clarify the committee's role in reviewing changes to centers and institutes. Kelly provided the Board with the history of its original decision early in its history to assign academic program approval to the Board itself, rather than the committee, and said that the Academic Strategies Committee had reviewed proposed changes to academic programs carefully and made recommendations to the Board, all of which the Board had approved. He said that approving the change to the committee's charter would improve the efficiency of the Board's work and align the committee's responsibilities more closely with the committee's overall mission.

There being no further discussion, a motion was made and seconded that the Board approve the changes to the Academic Strategies Committee charter as provided in Tab P, Attachment 1. The motion carried.

7. Education/Discussion Items

a. OSU Foundation Strategic Plan

Reser welcomed Jon DeVaan, chair of the OSU Foundation Board, and Shawn Scoville, executive vice president of the foundation, and expressed the Board's appreciation for making their presentation. She noted that the Board could learn more about the foundation and also continue to nourish the connection between the university's board and the foundation's board. DeVaan thanked Reser and noted that the success of the foundation was dependent on the success of the university and that a successful partnership is the relationship within which each organization would prosper. He credited President Ray and Foundation President Mike Goodwin as well as the college deans and foundation senior leadership for much of the success of the partnership and said that the foundation uses the university's strategic plan as its guide in developing its own annual work plans. He also said that the foundation looks forward to working with the university as it develops its next strategic plan.

DeVaun cited the Association of Governing Boards of Universities and Colleges (AGB) as a source of best practices for the foundation's board as well as the university's. He said that AGB had been helpful in developing the memorandum of understanding between the university and the foundation, which allowed the two organizations to formalize their partnership, and he noted that the relationship between the institution and foundation is a common one for public universities around the country. He also said that the OSU Board Chair's initiative to engage the foundation board with the work of the university Board was an important effort in maintaining and deepening the partnership. DeVaan ended his remarks by noting that the foundation is strategically re-organizing itself and increasing staffing in preparation for the next capital campaign.

Next, Scoville provided an overview of the foundation, covering its vision, mission and core values. He highlighted the key principles of the institution-foundation relationship: mutual respect, a culture of engagement and collaboration, transparency and accountability, effective alignment of agendas and understanding fundraising as a shared responsibility. He summarized how the foundation funds its work, spoke about the endowment's 10-year performance, and provided highlights from the Campaign for OSU.

Scoville then summarized the foundation's new strategic plan for 2017-2021 entitled, "To Create a Better World." He described the reasoning behind integrating the OSU Alumni Association (OSUAA) into the Foundation and described the foundation's goals for FY2017: implementing the new strategic plan, developing and implementing a new plan to fund foundation operations, moving forward with plans to integrate the foundation with the OSUAA, and transitioning endowment pool assets to Perella Weinberg Partners under an Outsourced Chief Investment Officer (OCIO) model. Following their presentation and a well-engaged discussion with the Board, Reser thanked DeVaan and

Scoville for their presentation and their work in strengthening the partnership between with the university.

b. Refresher on the Fundamentals of Board Governance

Reser asked Board Vice Chair Darry Callahan to set the context for the presentation on fundamentals of board governance. Callahan said that an annual review of board governance basics was good practice. He reviewed the fiduciary duties of trustees: care, loyalty and obedience. He also spoke to the responsibilities of individual trustees, which include safeguarding the university's assets and fostering its capacity to serve others, speaking candidly, fostering openness and trust, and respecting the opinions of others; avoiding personal agendas; and distinguishing between management and governance issues. Secretary Colbert then spoke about the delegation of authority and the importance of the Board reviewing that delegation on an annual basis. She noted that establishing and agreeing to separate roles for the Board and the President are important to effective governance. General Counsel Becca Gose continued the presentation, noting the importance of setting the standards for actions and behavior at the top, that is, at the level of the Board. She summarized Board policies that include the trustee code of ethics and conflict of interest and recusal policies and then covered in greater detail five areas of the State of Oregon's ethics law that pertain to trustees: use of office, gifts, conflicts of interest, campaigning and lobbying, and the statement of economic interest. Gose concluded the presentation by discussing public records laws and laws regarding public meetings.

8. Other Business

There was no other business for the Board to consider.

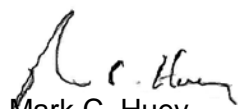
9. Closing Thoughts

In their closing thoughts, trustees praised the new OSU-Cascades campus and expressed their pride in being part of this new campus. They highlighted OSU-Cascades' strong leadership and engaged faculty and students. They shared their pleasure in having been able to see and experience firsthand what OSU-Cascades is becoming, noting that it already has a strong sense of place and a culture that, although influenced by the Corvallis campus, is its own. Trustee Mark Baldwin summed up the comments by saying that holding the retreat and Board meetings at the new OSU-Cascades campus was "an unqualified good decision." In addition, trustees praised the quality of the retreat, the staff's useful preparation, facilitator Steve Shields' thoughtful leadership, and the Board's informed, frank and respectful discussion. Other trustees spoke about the Board's growth and its maturing and collegial culture, saying that the quality of discussion and tone of respect that Board leadership fosters continue to encourage them to be well prepared and engaged.

10. Adjournment

There being no further business, the meeting was adjourned at 3:03 p.m.

Respectfully submitted,



Mark C. Huey
Assistant Board Secretary