MINUTES OF THE REGULAR MEETING OF THE
BOARD FINANCE & ADMINISTRATION COMMITTEE
MARCH 5, 2010

1. Call to Order/Roll Call/Welcome
2. Action Items
   a. OUS, Internal Bank Implementation
   b. OUS, Resolution for the Sale of Articles XI-F(1) and XI-G Bonds
   c. OUS, Fiscal Status of Intercollegiate Athletics as of June 30, 2009
   d. OUS, Residence Hall Emergency Reserve Fund
3. Adjournment
1. **CALL TO ORDER/ROLL CALL/WELCOME**

Committee members present included Chair Kirk Schueler, Jill Eiland, Allyn Ford, and Brian Fox. Chancellor’s Staff present included Board Secretary Ryan Hagemann, Vice Chancellor Jay Kenton, and Controller Mike Green. Others present included presidents Bob Davies (EOU), Chris Maples (OIT), and John Minahan (WOU); and vice presidents Lindsay Desrochers (PSU), Frances Dyke (UO), Mark McCambridge (OSU), and Craig Morris (SOU).

Chair Schueler called the meeting to order at 8:04 a.m. He greeted Jill Eiland, advising that Ms. Eiland was confirmed to the Oregon State Board of Higher Education in February 2010 and has been appointed to serve on the F&A Committee.

2. **ACTION ITEMS**

   a. **OUS, Internal Bank Implementation**

   **DOCKET EXCERPT:**

   **INTRODUCTION**

   Over the past several years, System management has been working with the Legislature, the State Treasurer, the Department of Justice, financial advisors, bond counsel, and key financial managers with the System to improve the treasury management practices of the System via the establishment of an Internal Bank. An Internal Bank is a separate accounting and operating entity designated to hold and invest all System operating cash balances and to manage the long-term Article XI-F(1) debt portfolio for the System. The purpose of the Internal Bank is to facilitate the long-term financial stability of the System through effective asset/liability management strategies and optimizing the organization’s capacity to access the capital markets in the amounts needed at a reasonable price.

   With the passage of key legislation during the 2009 Legislative Session, the last roadblock to implementation has been removed. The benefits of establishing and implementing an Internal Bank, as well as the key policies necessary for implementation, are delineated below.
KEY BENEFITS OF IMPLEMENTING AN INTERNAL BANK
Universities across the country are finding creative ways to improve their treasury function. With declining state revenues appropriated to public colleges and universities, the level of operating assets that are needed to hedge the volatility in a more tuition-dependent environment has been increasing. Universities are also beginning to pool operating assets for investment purposes to decrease the volatility of operating cash flows. With these increasing levels of operating assets and the decreased volatility that accrues through pooling, the opportunities for expanding the investment practices applied to these assets (with an appropriate risk-return profile) have become more attractive and, conversely, the cost of not taking a different approach to the investment of these funds is increasing.

Additionally, universities are looking at long-term debt management more from a portfolio perspective. The traditional approach to long-term debt management, where fixed-rate securities are issued and the debt service related to proceeds allocated to specific projects is tied to the underlying debt, is giving way to a portfolio approach to debt management. With a portfolio approach, the terms of long-term debt and the timing of issuance can be negotiated from a more strategic process, taking into consideration the current capital markets. True variable-rate debt can be introduced and maintained at an appropriate level to lower the overall cost of capital and its debt service volatility can be mitigated through both a blended rate and through the volatility of returns on operating assets. The repayment schedule relating to allocations of proceeds can be more flexible (unbound by the underlying debt issuance), based on blended rates and different time frames for repayment.

Bringing both the pooled approach to managing cash balances and investing operating assets together with the portfolio approach to managing long-term debt in an Internal Bank allows tighter asset/liability matching and greater efficiencies in accessing the capital markets, both from the investment and long-term debt perspectives. The System can become more strategic in its treasury management practices; the management and investment of operating cash flows and issuances of long-term debt can be managed more effectively if these decisions are decoupled from some of the traditional operational processes and constraints that lead, in some cases, to less optimal decisions when looking through a strategic lens.

CONCEPT AND POLICY REVIEW
The System has sought and obtained the support of the Board, the Governor, the State Treasurer, and the Legislature to implement the Internal Bank concept for the System. Key statutory authority has been obtained over the last two legislative sessions to enable the System to implement an Internal Bank. The State Treasurer’s Office has been working hard to move these concepts forward to help the System increase its revenues and lower its costs.

The proposed debt and interest rate risk policies have been reviewed by the State Treasurer’s Director of Debt Management and all recommended changes stemming from that review have been incorporated in these proposed policies.
The Internal Bank concept has been discussed with, and is supported by institution management. The draft policies attached were reviewed by the Vice Presidents for Finance and Administration and were reviewed by the Finance and Administration Committee on Friday, February 5, 2010. Changes in the draft policies stemming from those reviews are noted in the attachments.

The Operating Funds Management Policy remains under development and, once drafted, will be reviewed by System management and the State Treasurer’s Investment Division. This policy will be discussed during the April Finance and Administration Committee meeting.

Staff has also reviewed the existing Internal Management Directives (IMDs) related to debt management. Should the Internal Bank policy and related policies be adopted, staff is proposing that the IMD sections attached (Attachment D) be repealed, as they are either redundant, unnecessary or in conflict with the operation of the Internal Bank.

Staff Recommendation to the Committee:

- Staff recommended that the following policies be approved by the Finance and Administration Committee and by the full Board as appropriate:
  1. Internal Bank Policy (Attachment A, available in docket material: redline, pg 9; clean, pg 35)
  2. Debt Policy (Attachment B, available in docket material: redline, pg 15; clean, pg 41)
  3. Interest Rate Risk Policy (Attachment C, available in docket material: redline, pg 27; clean, pg 53)
- Staff recommends that IMD 6.300, 6.305, 6.306, 6.310, and 6.315 (Attachment D, available in docket material: pg 33) be repealed.

COMMITTEE DISCUSSION AND ACTION:

Chair Schueler called upon Associate Vice Chancellor and Controller Mike Green to present the internal bank implementation docket for its second reading and approval (note: all docket items are available at [http://www.ous.edu/state_board/meeting/dockets/ddoc100305.pdf](http://www.ous.edu/state_board/meeting/dockets/ddoc100305.pdf)). During discussion, Director Ford asked Director of Internal Audit Patricia Snopkowski if there would be an audit function to monitor the Internal Bank; she advised that an annual review of the bank will be conducted and reported to the Committee and that the Internal Audit will have oversight of the implementation. She also noted that performance measures will be formulated and approved by the Internal Bank Oversight Committee (comprised of campus vice presidents for finance and administration). The audit function will ensure that the measures are congruent with the policies. Vice Chancellor Kenton advised that an investment policy is under development and will be submitted to the Committee for review and approval in the near future.

Following discussion, Chair Schueler called for a motion to approve the proposed policies with a recommendation to the full Board. Director Brian Fox made the motion to approve the three
policies and the repeal of the IMDs 6.300, 6.305, 6.306, 6.310, and 6.315; Director Allyn Ford seconded; the motion was passed.

b. OUS, Resolution for the Sale of Articles XI-F(1) and XI-G Bonds

DOCKET ITEM:

<table>
<thead>
<tr>
<th>2010 Spring Bond Sale for Capital Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Five Campuses Served with 22 Individual Projects</td>
</tr>
<tr>
<td>A Total of $236,842,157 Recommended for Sale, plus issuance costs</td>
</tr>
</tbody>
</table>

SUMMARY
The staff recommends the Board approve a request to the State Treasurer to issue $188,085,657 of bonds under the authority of Article XI-F(1) of the Oregon Constitution and $48,756,500 of bonds for construction projects under the authority of Article XI-G of the Oregon Constitution. This sale is currently scheduled to be held in April 2010. The total sale requested is for $236,842,157, plus issuance costs. All projects included in this sale have received or will have received both Board and Legislative approval.

STAFF REPORT TO THE BOARD

Background:
The 2009 Legislative Assembly has authorized the State Board of Higher Education to issue general obligation bonds, with the proceeds to be used to finance capital construction and facilities repair and renovation projects in higher education. These bonds were authorized under two sections of the Oregon Constitution, Articles XI-F(1) and XI-G.

Article XI-F(1) bonds are issued to construct and repair facilities that are self-supporting and self-liquidating as determined by the Board. Bonds of this type have been issued to cover projects for the construction and renovation of auxiliary enterprises space (such as parking facilities or student housing) where the source of debt service is from auxiliary funds. Bonds have also been approved for projects in student facilities (such as student unions, student health facilities, or student recreation facilities) where the debt service is repaid from the student building fee. The preponderance of bonds sold for capital construction in higher education has been under Article XI-F(1).

Article XI-G bonds are issued to construct and repair facilities classified as Education and General (E&G) use, including classroom facilities, libraries, teaching laboratories, and general administrative space. These bonds are matched by an appropriation from the state General Fund and the debt service is paid from the General Fund. The legislature established a mechanism whereby the General Fund match may be generated through gifts and/or federal and local governmental funds. These are first deposited to special project accounts in the Treasury and then treated as General Fund moneys for purposes of the match.
As approved by the 2009 Legislative Assembly, Senate Bill 5505 authorizes a maximum issuance of $488,401,244 of Article XI-F(1) bonds and a maximum issuance of $144,900,479 of Article XI-G bonds in 2009-2011. (Senate Bill 5563, if approved in the 2010 Special Session, will reduce this amount from $144,900,479 to $143,900,479.)

OUS institutions are now seeking authorization from the Board to issue a total of $236,842,157 in Articles XI-F(1) and XI-G bonds plus estimated issuance costs as part of a sale currently planned by the State Treasurer for April 2010.

Of this amount, a total of $188,085,657 is requested in Article XI-F(1) bond authorization, and a total of $48,756,500 is requested in Article XI-G bond authorization plus issuance costs.

Prior to sale, the Board’s bond counsel may designate a portion of the sale as taxable due to space utilization by private entities in the projects to be financed under this sale.

Two tables are provided as part of the bond sale resolution (all tables are available in the docket material posted to the OUS website):

- Table A identifies the Article XI-F(1) projects recommended for the April 2010 Bond Sale.
- Table B identifies the Article XI-G projects recommended for the April 2010 Bond Sale.

Two tables are provided after the resolution to display debt information:

- Table C displays the amount of Article XI-F(1) bonds to be sold as well as the estimated annual debt service requirements associated with the projects proposed to be included in the April 2010 bond sale.

- Table D displays net revenues associated with the amount of Article XI-F(1) bonds to be sold and the estimated annual debt service requirements associated with the projects proposed to be included in the April 2010 bond sale.

**Resolution for the Sale of Bonds for Capital Projects:**
The resolution now before the Board authorizes staff to pursue the sale of bonds for all projects currently identified in Tables A and B as needing bond financing consistent with the overall bond limitation imposed by the legislature for the period 2009-2011.

**Staff Recommendation to the Committee and Board:**
Staff recommended that the Committee and Board adopt the following resolution: (1) finding that the projects for which Article XI-F(1) bonds are proposed meet the self-liquidating and self-supporting requirements of Article XI-F(1), Section 2, of the Oregon Constitution and authorizing the sale of Article XI-F(1) bonds; and, (2) authorizing the sale of Article XI-G bonds.
COMMITTEE DISCUSSION AND ACTION:

Chair Schueler called upon Controller Mike Green to present the proposed sale of Articles XI-F(1) and XI-G bonds. Mr. Green noted that the University of Oregon has pulled the Erb Memorial Student Union (EMU) partial renovation project, thereby reducing the amount of the bond sale to 21 projects totaling $234,528,157.

Chair Schueler asked if all of the projects were reviewed by the Board prior to this meeting; Vice Chancellor Kenton noted that the larger projects and pro formas were submitted to the legislature in past legislative sessions; however, the smaller listed projects were not included.

Following discussion, Chair Schueler called for a motion to approve the sale as described in the staff recommendation; Director Allyn Ford made the motion and Director Brian Fox seconded; the motion was carried.

c. OUS, Fiscal Status of Intercollegiate Athletics as of June 30, 2009

DOCKET ITEM:

The purpose of this report is to provide a brief review and update of the fiscal status of Intercollegiate Athletics as of June 30, 2009. This report includes a review of compliance with the Board’s directives relating to deficits, specifically working capital, and a brief analytical analysis of each institution’s Intercollegiate Athletics Department (Athletics).

BOARD’S DIRECTIVES
The intercollegiate athletics programs within OUS have been operating under and held accountable to the following financial principles and policies:

1. The working capital balance (current assets minus current liabilities) of the intercollegiate athletics department (all funds except unexpended plant funds) is to be positive at fiscal year end.

2. The use of institutional funds (tuition and fees) to support the athletics budget is permissible, but should be minimized.

3. The use of State General Fund dollars in support of intercollegiate athletics is limited to the purposes outlined in Internal Management Directives (IMD) Section 8 as follows:

   (1) Major Revenue-Producing Athletic Activities

   Major revenue-producing athletic activities are those that, by definition, are estimated to be self-supporting from gate receipts, television and radio income, conference income, contributions, and other revenues generated through the operation of those activities. Any incidental fees used to support major revenue producing athletic activities will be deemed to be for the purpose of financing student admissions. No state tax funds, appropriated for education and general purposes, are to be used either for operating or capital expenditures, except as
provided in (3) below. "Operating expenses" include both salaries and applicable physical plant costs.

(2) Other Athletic Activities

Other athletic activities are to be financed from student incidental fees, gate receipts, and contributions. State funds appropriated for Education and General purposes may be used only to fund the salaries of coaches at the regional universities and Oregon Institute of Technology.

(3) Proportionate Financing of Joint Use Facilities

State funds are used and may continue to be used for physical plant and other operating costs applicable to spaces within athletic facilities that are utilized for Educational and General purposes, such as lectures, convocations, physical education activity classes, concerts, and commencement exercises.

ATHLETICS’ FISCAL YEAR 2009 FINANCIAL STATEMENTS

The financial statements that provide the basis for this analysis include all material revenues and expenses related to Athletics. Unexpended plant funds relating to Athletics’ capital assets activities are not included in this report. However, renewal and replacement reserve funds relating to Athletics are included in this report. Note that all funds in Athletics are interest bearing accounts with surplus balances receiving interest income and deficits charged interest expense.

The Summary Statement of Net Assets and Summary Statement of Revenues, Expenses and Other Changes in Net Assets present the financial condition and operating results of Athletics at each OUS institution and are available in the docket material posted to the OUS website.

Staff Recommendation to the Committee:
Staff recommended that the Finance and Administration Committee accept the report on the Fiscal Status of Intercollegiate Athletics as of June 30, 2009, and to direct OSU to develop a plan to bring their Athletic Department into compliance with Board policies for review by the Committee in May 2010.

COMMITTEE DISCUSSION AND ACTION:

Chair Schueler called upon Vice Chancellor Jay Kenton and Controller Green to present the 2009 Intercollegiate Athletics report.

Following the introduction, Chair Schueler called for discussion pertaining to Oregon State, calling upon Vice President McCambridge for an update on their strategic plan for athletics. Mr. McCambridge advised that the original plan was set and met during the first year (2007); however, with the accounting issue between the athletics and the foundation, this created the deficit. With fundraising efforts, the department should break even over the next two years. With the new television contracts, the PAC-10 is anticipating an increase in revenue by
approximately $10 million per PAC-10 campus. Schueler asked why the 2007 plan was unsuccessful; McCambridge advised that, because of the economy, there has been a decline in season ticket and game ticket sales. Additionally, in the last year, OSU had six minor sports teams go to national competitions, incurring $100,000 to $600,000 in cost to send the teams to these competitions—further reducing funds. A national trend has been to eliminate athletics at campuses, causing concern to the alumni. OSU does not want to resort to that and is committed to filling the deficit and bringing the program back to fully self-supporting. Director Ford asked if the plan was going to approach alums outside the state to increase the fundraising; McCambridge agreed that they were going to be more aggressive in contacting alumni located outside of Oregon. Chair Schueler noted that the timing issue on the accounting procedures between athletics and the foundation will be corrected in the coming year and will also improve the end-of-the-year reports.

Vice President Morris, SOU, advised that President Cullinan has called for the formation of a taskforce to review the athletics activities and their strategic planning and determine how athletics fit into the overall campus plan. He noted that the 2011 report should provide the findings of the taskforce review.

Vice President Dyke advised that the foundation failed to record the donors’ pledges and in the selling of season tickets; this contributed to the funding shortfall at the UO athletics department. She advised that, as the athletics department is expected to be self-supporting, the University will not be transferring funding into the athletics department. Vice Chancellor Kenton noted that the University of Oregon is one of 15 campuses in NCAA athletics across the nation that is truly self-supporting; he commended the University.

President Minahan noted that Western currently underfunds athletic scholarships in comparison to their northwestern peers and that they are making efforts to increase fundraising to support the department.

Following discussion, Chair Schueler called for a motion to accept the report and to direct OSU to develop a plan to bring their athletic department into compliance with Board policies for review by the Committee in May 2010. Director Allyn Ford made the motion and Director Brian Fox seconded; the motion was passed.

d. OUS, Residence Hall Emergency Reserve Fund

DOCKET ITEM:

BACKGROUND
Prior to 1997, the mechanism used to finance dormitory construction and renovation was the Consolidated Dormitory Debt Pool (Pool). Debt service on the debt within the Pool was shared by all campuses based on their respective occupancy rates. This mechanism served as a hedge against occupancy (enrollment) declines, made it possible for regional campuses to more readily afford new facilities, and ensured comparable housing rates across OUS (ensuring
consistent tuition, housing, and fee rates at all OUS campuses was a major operating principle of the Board to avoid cost driving the educational decisions of our students).

In 1997, the OUS Housing Directors proposed that the then current debt service amounts from the Pool be “frozen” in place and that the Pool be discontinued as the mechanism to fund housing construction/renovation projects. This was requested in order to simplify decision-making with respect to major housing projects, provide for tighter accountability with respect to the business sense of these decisions, and remove hindrances to entrepreneurial actions that might be taken by campuses.

In order to provide the hedge against occupancy declines that the Pool afforded, the Housing Directors proposed, and the Administrative Council, Chancellor’s Staff, and the OUS Board approved what was ultimately called the “Residence Hall Emergency Reserve Fund” (Reserve), which was codified in IMD 6.316 (see Attachment A). The Reserve was to protect each institution, and ultimately the Board who is responsible for all debt obligations of OUS, against unanticipated financial emergencies in residence hall operations that could otherwise affect the ability of a single institution to pay its debt service obligations. Provisions of the policy require the repayment of any funds used from the Reserve.

This policy required each institution to pay into the Reserve $20 per occupant, per year, beginning in the 1999-00 fiscal year, for a period of eight years. The $20 amount was established in order to grow the balance of the fund to approximately $1.5 million, which would be sufficient to pay 50 percent of the current debt load for one year for all institutions participating in the consolidated debt pool. The Reserve was to accrue interest during this eight-year period.

Subsequent to the establishment of this policy, new information was received from bond counsel relating to IRS regulations and statutory provisions governing the Sinking Fund at Treasury. Based on this information, it was determined that OUS could not earn interest on these funds. Thus, the Reserve funds are being held in our general suspense account at the State Treasury, which is not interest bearing to OUS. Therefore, no interest has accrued to this fund.

**CURRENT STATUS**
The balance in the Reserve as of June 30, 2009 is shown in the table below:

<table>
<thead>
<tr>
<th>EOU</th>
<th>OIT</th>
<th>OSU</th>
<th>SOU</th>
<th>UO</th>
<th>WOU</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$61,240</td>
<td>$63,000</td>
<td>$477,440</td>
<td>$143,120</td>
<td>$480,720</td>
<td>$177,460</td>
<td>$1,402,980</td>
</tr>
</tbody>
</table>

As of June 30, 2009, there remains some $20 million in outstanding Article XI-F(1) debt relating to the Consolidated Dormitory Debt Pool. In addition, as of June 30, 2009, there is an additional $176 million in outstanding XI-F(1) debt relating to housing operations at OUS campuses that has been issued since the elimination of the Pool.
ISSUE
It has been requested that the Reserve be eliminated to better utilize these funds within the housing operations on campus. In order to evaluate this request, the reasons for establishing the Reserve are reiterated/restated below based on today’s environment:

REASONS FOR ESTABLISHMENT OF THE RESERVE:
- The Board remains ultimately responsible for the debt service on this debt.
- Regional campuses continue to be more challenged financially than the larger campuses.
- Occupancy declines, while not anticipated in the near future, may, nevertheless occur over the period for which debt related to housing is outstanding (normally 30-year debt).
- Environmental factors, such as the declining General Fund revenues, lend support to retaining the Reserve.

OPTIONS FOR CONSIDERATION
1. Eliminate the Reserve and Distribute to Respective Campus Housing Operations
   The moneys in the Reserve would be refunded to the campus housing auxiliary enterprise operations. This would result in a one-time benefit to campus housing, providing needed additional resources to these critical student-focused operations.

2. Maintain the Reserve, with a Modified Purpose
   The Reserve would be transferred to the Internal Bank and its purpose be modified to allow for the Reserve to be temporarily used to supplement the Interest Rate Reserve of the Internal Bank should the need arise. Any use of the Reserve for interest rate support would be repaid by future positive interest rate spreads. This would maintain the Reserve as currently designed for future housing needs and help improve the financial strength of the Internal Bank.

3. Eliminate the Reserve and Transfer the Proceeds to the Internal Bank’s Interest Rate Reserve
   The Reserve would be eliminated and the proceeds would be transferred to the Interest Rate Reserve in the Internal Bank. This would bolster the financial position of the Internal Bank and help ensure stable internal borrowing rates into the future.

STAFF DISCUSSION
Staff discussed the three options noted above with the Vice Presidents for Finance and Administration at each university. While there was not a consensus recommendation, the clear majority of responses supported Option 1, where the reserve is eliminated and the moneys are rebated to the respective campus housing operations. It was the contention of the campuses in support of Option 1 that the moneys were paid into the reserve by the campus housing operations for the particular, limited-term purpose as stated in the policy in order to secure the Board’s approval to eliminate the Consolidated Dormitory Debt Pool. Therefore, if the funds are not needed in the future for that particular purpose, the best choice is to rebate those moneys to the respective campuses.
The Internal Bank implementation is an important and strategic undertaking for OUS that will be beneficial to all auxiliary enterprise operations, including housing. The goal of the Internal Bank is to provide a more stable cost of borrowing into the future. Building the Interest Rate Reserve in the Internal Bank more rapidly will accelerate our ability to achieve our optimal allocation to variable rate debt, thereby improving the System’s ability to lower the cost of borrowing over the long-term. From a purely financial point of view, a case can be made that building the reserves of the Internal Bank, while providing an unspecific, long-term benefit in the form of lower borrowing rates in the future, will ultimately result in a much greater financial benefit than rebating the moneys to the campuses. A particular housing operation that must incur a higher long-term borrowing rate will likely pay a larger financial penalty than the amount that might be rebated from this reserve.

Given that the reasons for the establishment of the Reserve remain and given the complimentary goal of building the reserves of the Internal Bank, it would be most appropriate to transfer the Reserve to the Internal Bank and modify its purpose to allow for the Reserve to be temporarily used to supplement the Interest Rate Reserve (Option 2 above).

**Staff Recommendation to the Committee and Board:**
Staff recommended that IMD 6.316, Residence Hall Emergency Reserve Fund be transferred to the Internal Bank and be amended (as shown in Attachment A of the docket material), to allow for the Reserve to be temporarily used to supplement the Interest Rate Reserve of the Internal Bank, should the need arise, and to reflect other changes made subsequent to the adoption of the policy. Any use of the Reserve for interest rate support would be repaid by future positive interest rate spreads.

**COMMITTEE DISCUSSION AND ACTION:**

Chair Schueler called upon Vice Chancellor Jay Kenton and Controller Mike Green to present the item and provide background on the fund. Vice Chancellor Kenton advised that he and the Chancellor recommend continuing the reserve fund and transfer the monies into the Internal Bank. Vice President Dyke noted that the University of Oregon’s portion is not a large amount of money and that the history of campus housing is that they operate in the black and that, given that these funds are viewed by students as “theirs,” believe the funds should be moved back to the campus. Vice President Weiss, WOU, noted that he supports the funds being transferred to the Internal Bank reserve; however, the campus housing director desires the funds be returned to the campus and students support moving the funds back to the campus. Vice President Morris, SOU, noted that his concerns have been alleviated and that it is “wise” to maintain the funds in a reserve. Weiss added that, with the creation of the Internal Bank, the funds from the reserve will be needed to create a funding base in order to take advantage of variable interest rate markets and achieve the goal of maintaining a static loan rate.

Following discussion, Chair Schueler made the motion that the policies established under IMD 6.316, Residence Hall Emergency Reserve Fund, be transferred to the Internal Bank and be
amended to allow for the Reserve to be temporarily used to supplement the Interest Rate Reserve of the Internal Bank, should the need arise, and to reflect other changes made subsequent to the adoption of the policy. Any use of the Reserve for interest rate support would be repaid by future positive interest rate spreads. Director Brian Fox expressed his support of maintaining the emergency reserve. Director Allyn Ford seconded the motion; the motion was passed.

3. **Adjournment**

   With no further business, Chair Schueler adjourned the meeting at 9:21 a.m.