MINUTES OF THE REGULAR MEETING OF THE
BOARD FINANCE AND ADMINISTRATION COMMITTEE
SEPTEMBER 10, 2010

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1. **CALL TO ORDER/ROLL CALL/WELCOME**

Chair Schueler called the meeting to order at 8:05 a.m. Committee members present included Chair Kirk Schueler and Directors Jill Eiland, Allyn Ford, and Brian Fox. Other Board members present included Director Lynda Ciuffetti.

Chancellor’s staff present included Chancellor George Pernsteiner, Doug Botkin, Michael Green, Jay Kenton, Karen Levear, Jan Lewis, and Marcia Stuart.

Others present included Vice Presidents Lindsey Desrochers (PSU), Frances Dyke (UO), Virginia Key (EOU), Mark McCambridge (OSU), Craig Morris (SOU), Mark Weiss (WOU), and Mary Ann Zemke (OIT).

2. **ACTION ITEMS**

a. **OUS, Managerial Reporting – Quarterly Management Report**

Chair Schueler called upon Controller Michael Green to present the quarterly management report. He noted that these reports are the fourth and final reports for fiscal year 2010 (details for all docket items may be obtained at [http://www.ous.edu/state_board/meeting/dockets](http://www.ous.edu/state_board/meeting/dockets)).

Eastern Oregon University’s end of the year fund balance was at 8 percent, which is within the Board parameters. Vice President Virginia Key added that the campus has moved toward a robust sustainability; however, flexibility will be imperative in order to continue these upward trends.

Oregon State University’s ending fund balance was at 18 percent, which is above the Board parameters, but with the coming funding reductions, this will allow OSU to “weather the storm.” Vice President Mark McCambridge added that in OSU’s latest 3-year modeling, they will be anticipating that at the end of 2013, the assumptions of the enrollment indicate there will be a downturn in enrollment by 7 percent.
Chair Schueler asked if the delays at Portland State (i.e., the delay in the Market Center capital project) would impact coming budgets; Vice President Desrochers replied that the funds/budget for those delayed projects will be rolled over to following years.

Director Ford was concerned about Southern Oregon’s tuition revenue and the enrollment increases and if there was a shift in enrollment mix (5 percent increase in revenue with only a 1 percent increase in enrollment); Mr. Green agreed. Vice President Craig Morris added that Southern Oregon discontinued the tuition plateau and adjusted the tuition levels for this discontinuation. He noted that they experienced an increase in student credit load rather than a decrease.

For the University of Oregon, Chair Schueler asked what the restrictions and reductions were in the auxiliary enterprise; Green replied that the UO received a gift of $40 million that was shifted from unrestricted to restricted net assets as it is designated for a particular capital project.

For the Chancellor’s Office, Director Ford asked how the Chancellor’s Office covers the investment in the Sustainability Center. Vice Chancellor Kenton advised that with the sale of the CAPITAL Center, the former Chair of the Finance & Administration Committee encouraged the Committee to invest in a project that would make “a difference in the state.”

**Action:** Chair Schueler called for a motion to accept the managerial reports; Directors Fox made the motion, Ford seconded; motion passed.

b. **OUS, Pooled Endowment Fund Investment Transition Plan**

Chair Schueler called upon Ms. Karen Levear to present the item. Following the report, she recommended that the Committee accept the proposal submitted.

**Action:** Director Allyn Ford made the motion to approve the proposal; Director Fox seconded; motion passed.

c. **OUS, Oregon Sustainability Center—Project Update and Request to Proceed with Schematic Design**

Chair Schueler called upon Vice Chancellor Jay Kenton to present the item. Following the presentation, Chair Schueler called for discussion. Dr. Desrochers advised that the City of Portland’s Development Council is very supportive of the project and that the larger Oregon Department of Development and faculty on the campuses are excited about the research capability that will be available through this building. The alignment the economic development plans of the System, the City of Portland, and the overall Oregon development in this project will place Oregon at the forefront of the nation on sustainability. Director Ford asked, with the complex cooperative effort, who will be the entity steering the project; Vice Chancellor Kenton advised that the project will be led by the OUS (with the general contractor being hired by PSU
staff); fundraising OLBI; and CDC. Schueler asked who the owner of the building will be—who will be signing tenant agreements. Kenton advised that OUS and the City of Portland will be joint owners with OUS being the major owner; however, this issue will be sorted out by legal counsel. Schueler stated that the schematic and ownership details need to be determined before legal steps are taken. Chancellor Pernsteiner further stated that the bonds will be issued in the name of the Board and that, OUS will be carrying the debt on everything with the exception of the City’s portion. Kenton noted that, during construction, OUS will hold 100 percent of the risk; it is not until the completion of the building that condos will be then sold to the City.

**Action:** Director Ford made the motion to approve the recommendations; Director Eiland seconded; motion passed.

d. PSU, College Station Housing Project Update and Revised Land Lease

Chair Schueler called upon Dr. Kenton, Vice President Desrochers, and Ms. Dee Wendler to present the item. Kenton advised that this proposal is to change the lessee but that the actual project will not change. Dr. Desrochers advised that, in the past, Portland State has not been a residential campus; however, in recent years, they have experienced a growth in students who would be served by additional on-campus housing. This project will increase available beds by approximately 980 (adding to the current 2,300 available beds). This is a transit-oriented development and meets TriMet’s criteria with the Federal Transit Administration. The property has been purchased and is currently under demolition. Over the past 10 months, legal counsel has recommended that the ground lease be shifted from ACC to the PSU Foundation subsidiary, who will, in turn, contract with ACC. ACC will assist the Foundation to gain the 70 percent construction loan and then provide a 30 percent loan from their equity; the Foundation and/or the University will have the option to buy-out ACC’s portion, if it becomes necessary. Desrochers noted that, to assure the building is a tax-free entity, the decision was made to lease the land to the Foundation rather than ACC. Ms. Wendler added that the Foundation has approved the creation of an LLC.

**Action:** Chair Schueler called for a motion to approve the change; Directors Fox made the motion; Eiland seconded; motion passed.

e. UO, Request for Additional Other Funds Limitation

Chair Schueler called upon Vice Chancellor Kenton and Vice President Frances Dyke to present the item. Ms. Dyke advised that this provides new classroom and office space through renovation and is funded entirely by gifts.

**Action:** Director Fox moved to approve; Director Ford seconded; motion passed.
Dr. Kenton advised that the analysts from the Department of Administrative Services and the Legislative Fiscal Office are supportive of including the UO and WOU’s requests for additional Other Funds limitation and the submission to the September legislative Emergency Board.

f. WOU, Request for Article XI-F(1) Limitation

Chair Schueler called upon Vice President Weiss to present the item. He noted that the first phase of the project is complete and is the first LEED Silver project of its type in the nation. He added that they have a backlog of 60 requests and over 1,600 new requests for on-campus family housing. Chair Schueler asked what the rent will be on the family housing; double-occupancy will be approximately $1,800 per term, and single-occupancy rooms are $2,000 per term. He noted that these rates are comparable to the other dormitory space on campus. Weiss advised that Paul Seibert (LFO) and Bill McGee (DAS) visited the campus to view the project and they expressed their support of the project.

**Action:** Director Ford made the motion to approve the recommendation; Director Fox seconded; motion passed.

3. **ADJOURNMENT**

With no further business proposed, the meeting was adjourned at 9:53 a.m.