OREGON STATE BOARD OF HIGHER EDUCATION
STANDING COMMITTEE ON FINANCE AND ADMINISTRATION
APRIL 8, 2011

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Committee members present included Chair Schueler and Directors Lynda Ciuffetti, Allyn Ford, and Brian Fox.

Chancellor’s staff present included Vice Chancellor Jay Kenton, Michael Green, Karen Levear, Di Saunders, Patricia Snopkowski, Marcia Stuart, and Charles Triplett.

Others present included Presidents Bob Davies (EOU) and John Minahan (WOU); Vice Presidents Lindsay Desrochers (PSU), Frances Dyke (UO), Bob Nettles (OSU), Craig Morris (SOU), Mark Weiss (WOU), and Mary Ann Zemke (OIT); Laura Hubbard (UO), Emma Kallaway (OSA), Bill McGee (DAS), and Dee Wendler (PSU).

1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Kirk Schueler called the telephonic meeting of the Finance & Administration Committee to order at 8 a.m.

It was announced that all docket materials are available on the OUS website, including an errata sheet for the athletics report and the presentation material for the discussion item (see: http://www.ous.edu/state_board/meeting/dockets).

2. ACTION ITEMS

a. 2009-2011 Capital Budget Adjustments

Chair Schueler directed the attention of the Committee to the first action item and noted that each item would be addressed separately.

i. OIT, Request For Additional Other Funds Spending Limitation Geothermal Demonstration Project

Vice President Mary Ann Zemke, OIT, presented the item that requests the addition of $3.5 million to the Other Funds spending limitation to allow the Klamath Falls campus to increase the amount of electric power production by an additional 23 percent, which will result in providing approximately 73 percent of the campus electric power needs. Reference was made to the practice of selling energy credits; she advised that OIT sells energy credits through a public accounting firm, with two banks expressing interest in acquiring those credits. It was noted that the System also makes a practice of selling credits.
**Action:** Following a brief discussion Directors Ciuffetti and Ford made the motion to the request as stated in the docket and authorize the Chancellor, or designee, to seek state legislative approval to increase the Other Funds spending limitation for the OIT Geothermal Demonstration Project by $3.5 million. Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.

ii. **OSU, New Classroom Building and Snell Hall Demolition**

Vice President Bob Nettles introduced the item, advising that OSU is requesting the Board to adjust OSU’s 2011-2013 capital construction budget request to allow OSU to issue $65 million in Article XI-F(1) bonds to finance the demolition of Snell Hall and construct a new classroom building to accommodate significant student enrollment growth over the last couple of years and anticipated enrollment increases in the next few years.

**Action:** After a brief discussion, Directors Fox and Ford made the motion to approve this change in the original funding request for the OSU classroom building and authorize the Chancellor, or designee, to work with the legislature to make the necessary adjustments to the 2011-2013 OUS Capital budget. Prior to the vote, Director Ciuffetti expressed concern of a possible conflict of interest and the Committee noted this declaration for the record. Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.

iii. **UO, Request for Additional Other Funds Limitation for UO Allen Hall Expansion and Remodel Project**

Vice President Frances Dyke advised that the University of Oregon requests legislative Emergency Board authority to expend an additional $5.3 million in Other Funds for the expansion and remodel of the UO Allen Hall. The remodel project scope includes energy and seismic upgrades to the existing circa 1922 and 1954 wings of Allen Hall. The addition project scope includes a three-story atrium as well as departmental offices, meeting spaces, and general University-use classrooms. When the project is complete, the approximately 54,000-sf building will establish a main point of entry to the School of Journalism and Communication embodied in one cohesive building. If this request is approved, the additional $5.3 million will come from institutional fund balances and will provide the necessary funds to cover the expenses resulting from the project scope increase.

**ACTION:** Following discussion, Directors Ford and Fox made the motion to approve the request and authorize the Chancellor, or designee, to seek a $5.3 million increase in the Other Funds capital budget limitation for the Allen Hall renovation project from the legislature. Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.
iv. UO, Request for Additional Other Funds Limitation for the ISC 2/Lewis Integrative Science Building Project

Vice President Dyke advised that the legislature authorized $65 million for the initial project ($30 million as Article XI-G bonds and $35 million as an Other Revenues [gifts] funds limitation). The project scope was increased to include additional work in the Huestis Zebrafish Facility as funded by a NIH grant. As a result, the project costs have increased beyond the anticipated cost. The UO currently has $65 million available limitation for this project; if this request is approved, the additional $10 million in Other Funds limitation will provide the necessary funds to cover the expenses resulting from the project scope increase.

The UO requests legislative authority to expend an additional $10 million in Other Funds for the Lewis Integrative Science Building project. This would consist of the $9.117 million NIH C06 grant plus $883,000 in gifts.

**ACTION:** Directors Fox and Ciuffetti made the motion to approve the request and authorize the Chancellor, or designee, to seek a $10.0 million increase in Other Funds limitation for the Huestis Zebrafish Facility from the legislature. Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.

v. WOU, Request for Other Funds Limitation for the Natural Sciences Laboratory Annex in Lieu of Complete Renovation of Todd Hall

Vice President Mark Weiss advised that WOU requests that $7.2 million in state lottery bond funding and $2.5 million in Other Funds expenditure limitation be transferred for construction of a new Natural Sciences Laboratory Annex from the existing Todd Hall renovation project. $1.2 million in renovation funding would remain in the Todd Hall limitation to make necessary seismic and safety improvements and simultaneously advance the University’s two highest planning priorities—Todd Hall safety and alleviating science teaching laboratory shortages. During discussion, In response to Director Ciuffetti’s query as to the adequacy of the $1.2 million for the renovation of Todd Hall, Weiss assured the Committee that the funds would be used for seismic safety upgrades and that the additional renovation of Todd Hall is included as priority #3 on the University’s new master plan. President Minahan added that Governor Kitzhaber is in support of the project.

**ACTION:** Directors Ford and Fox made the motion that the Committee authorize the Chancellor, or designee, to seek the following change in the capital budget limitation from the legislature:

<table>
<thead>
<tr>
<th>WOU Capital Budget Limitation—Proposed Change</th>
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<tbody>
<tr>
<td><strong>Todd Hall</strong></td>
</tr>
<tr>
<td>In Governor's Budget as:</td>
</tr>
<tr>
<td>Lottery Bonds:</td>
</tr>
<tr>
<td>$7,200,000</td>
</tr>
<tr>
<td>Change to:</td>
</tr>
<tr>
<td>($7,200,000)</td>
</tr>
<tr>
<td>Proposed Revised Limitation:</td>
</tr>
<tr>
<td>$0</td>
</tr>
<tr>
<td><strong>Other Funds</strong></td>
</tr>
<tr>
<td>$3,700,000</td>
</tr>
<tr>
<td>($2,500,000)</td>
</tr>
<tr>
<td>$1,200,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>$10,900,000</td>
</tr>
<tr>
<td>($9,700,000)</td>
</tr>
<tr>
<td><strong>Science Laboratory Annex</strong></td>
</tr>
<tr>
<td>$1,200,000</td>
</tr>
</tbody>
</table>
In Governor's Budget as: $0  $0  $0
Create New Limitation: $7,200,000  $2,500,000  $9,700,000
Proposed New Limitation: $7,200,000  $2,500,000  $9,700,000

Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.

b. OHSU/OUS Life Sciences Collaborative Complex Project, Authorization to Contract with Stacy Witbeck and Mowat Construction Company

Vice President Lindsay Desrochers provided an update on the Life Sciences project and advised that TriMet has conducted a competitive request for proposal process in line with the State’s procurement process and, as a result, has contracted with Stacy Witbeck and Mowat Construction Company.

Due to the necessity for continuity of design and construction on the light rail project, TriMet is requesting that OUS also contract with Stacy/Mowat to construct the $10 million in light rail integrations covered by the IGA. TriMet selected Stacy/Mowat through a competitive procurement process, which complied with all applicable state and federal requirements. Desrochers also advised that the process has been completed in the selection of an architect and that they are entering into the process for the project general contractor.

ACTION: Following discussion, Directors Ciuffetti and Fox made the motion that the Committee authorizes Portland State University, functioning as contracting agent for the Life Science Collaborative Project, to enter into a contract with Stacy Witbeck and Mowat Construction Company for the $10 million portion of the LSCC project covered by the TriMet Inter-Governmental Agreement. Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.

c. OUS, Fiscal Status of Intercollegiate Athletics as of June 30, 2010

Chair Schueler called upon Controller Michael Green to present the item. Green noted the errata sheet and took responsibility for errors to Eastern’s report. When queried concerning the bond relationship of Oregon State’s renovation of Reser Stadium, Green advised that the Internal Bank retains the bonding; the institution owes the Bank and, in turn, the Bank then owes the bond holders. Chair Schuler asked if the practice of reducing ticket prices has increased ticket sales; Green affirmed and added that this has been a successful strategy for OSU.

In response to the query pertaining to Southern’s decline in student fees, Vice President Morris stated that fee revenues have continued to increase but that student government support for athletics is in “fits and starts.” Vice President Dyke advised that students negotiate athletic departments for blocks of tickets at reduced prices and that those would typically be shown as ticket sales. Although the trend line is going up, President Minahan advised he has committed to keeping $2.5 million as the high-water mark and that Western will not continue to grow.

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athletics’ expenses even if it requires cutting sports. It was also noted that, with the decline in Sports Action Lottery monies, campus intercollegiate athletics will be severely affected and will challenge compliance with Title 9 issues, which will, in turn affect the entire university; presidents and vice presidents encouraged the Committee and Board to address this issue.

**Action:** Following the report, Directors Ciuffetti and Ford made the motion accept the report on the Fiscal Status of Intercollegiate Athletics as of June 30, 2010. Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.

d. OUS, Internal Audit Charter

Chair Schueler called upon Executive Director Patricia Snopkowski to present the item. Following the presentation, Schueler commended Snopkowski for the improved language in the revised section on consulting services.

**ACTION:** When called for a motion, Directors Ford and Fox made the motion approve the revised Internal Audit Division charter. Those voting to approve: Chair Schueler and Directors Ciuffetti, Ford, and Fox. Those voting in opposition: none.

3. Discussion Item

a. OUS, Debt Management Strategy

Chair Schueler called upon Controller Green and Ms. Karen Levear, Director of OUS Treasury Operations, to present the item for discussion. During the presentation, Committee members discussed the “new normal” in relation to interest rates and the calming effect of communication channels between the feds, policy makers, and bankers. It was noted that the weighted average term for bonds is 17.4 years; and it is expected that the bonds would remain in place for between 15 to 20 years. Chair Schueler asked if there were any “red flags” for the Committee members and when no one expressed concern at this stage in the development of the strategy, Chair Schueler directed that a draft implementation plan and proposed policy changes be developed and provided to the Committee for review and approval in the near future. Director Ciuffetti asked Levear to provide the Committee with the presentation verbiage used.

4. Reports

President Bob Davies provided a brief update on Eastern’s retrenchment, indicating that morale remains high and he remains committed to an open and transparent process. Reductions in the workforce will be coming; management has been working with the unions and conversation remains positive. An announcement will be made to the University community at the end of the Spring term concerning lay-offs and program reductions; Davies is working on early retirement options with the Oregon Department of Justice, and the faculty and staff review process is
ongoing. He advised that the first draft of the retrenchment plan will be released in May and “may bring down morale.”

On a positive note, Davies announced that Eastern was recently awarded its first prestigious Truman Scholar—Rellani Ogumoro, a senior at EOU this year, is one of 60 college students who will receive awards from the Harry S. Truman Scholarship Foundation. She will receive up to $30,000 in funding toward a graduate degree in a public service field.

Vice Chancellor Kenton reported the possible federal government shut-down could have an effect on the System as it pertains to federal aid, allotment cash withdraws for grants and contracts, etc. He advised the Controller’s Division is analyzing the possible impact.

5. **ADJOURNMENT**

With no further business proposed, Chair Schueler adjourned the meeting at 10:03 a.m.