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1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Schueler called the meeting to order at 9:02 a.m.

2. CONSENT ITEM

a. Approval of Minutes, May 24, 2013

   ACTION: Chair Schueler called for a motion to approve the May 2013 minutes. Directors Orcilia Forbes and Allyn Ford made the motion and second, respectively. Motion passed.

3. AGENDA ITEMS

   a. OUS, Contracting and Purchasing with Historically Underrepresented Businesses

Chair Schueler called upon Vice Chancellor Kenton and Mr. Ian Best to present the item. This report was submitted in accordance with administrative rules and board policy. To actively encourage the participation of MWESB businesses and contracting opportunities with each System campus, during 2012, staff participated in various outreach forums and institutions undertook new efforts to increase the number of historically underrepresented firms, including trade-shows, vendor fairs, and one-on-one relationship building opportunities. Each campus submitted 2012 reports on construction and goods and services activities.

A new form was implemented in 2012 that allows each construction contractor to provide information pertaining to the amount of their project funding directed to participating
subcontracting MWESB companies. Information provided for goods and services was collected through IRS W-9, which captures the certification number with the state and payments made toward those contracts. Information was compiled and provided in the report (see docket materials\(^1\)). It was noted that there is a certain amount of resistance from companies to become certified through the state as MWESB due to the amount of time and money required to work through the certification process. The Governor’s Office for MWESB is currently working on simplifying the process so that firms may become certified more easily.

Members commented on the lack of progress compared with historic data despite an increase in the population and discussed other entities that may be reviewed for best practices and goal-setting. Vice Chancellor Kenton advised that staff have reviewed TriMet (City of Portland), Portland Development Commission, and other similar agencies but noted that comparisons are difficult due to a variety of factors including different affirmative action rules and data reporting requirements. Vice President Zemke, Oregon Tech, advised that the Banner information system used by campuses does not provide adequate tracking and reporting for goods and services, compared to the whole. Vice President Rimai advised PSU has hired an individual who was formerly employed by TriMet and Portland City Schools for the task of creating a new tracking program for goods and services in order to make the environment more accessible.

**ACTION:** Following discussion, Chair Schueler called for a motion to accept the report. Directors Ganjifard and Forbes made the motion and second, respectively. Motion passed.

b. **Adoption of Optional Retirement Plan Eighth Amendment**

Chair Schueler called upon Ms. Denise Yunker, director of human resources, to present the item. She indicated that the proposed was a housekeeping amendment to change the rates for the Optional Retirement Plan by July 1, 2013. These rates are linked with the proposed PERS reform legislation, the final rate change was unknown at that time; the proposed amendment retains compliance with the Plan to change the time period for rate revision to December 31, 2013. Once the rates have been adjusted, make-up contributions will be made to ensure that everyone has been made whole as if it had gone into effect July 1 (an actuary will perform the calculations to provide accurate data to reflect not only rate changes but market changes that may have occurred during the time frame based on the employee’s investment choices).

**ACTION:** Following the presentation, Chair Schueler called for a motion to adopt the Eighth Amendment to the 2008 Restatement of the Optional Retirement Plan by the Finance and Administration Committee with referral to full Board for adoption by consent. Directors Ciuffetti and Ford made the motion and second, respectively. Motion carried.

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\(^1\) [http://www.ous.edu/sites/default/files/state_board/meeting/dockets/ddoc130620-FA.pdf](http://www.ous.edu/sites/default/files/state_board/meeting/dockets/ddoc130620-FA.pdf)
c. OUS, Proposed 2012-13 “Settle-Up” of Operating Budget Allocations

Chair Schueler called upon Associate Vice Chancellor Jan Lewis to present the item. She advised that the initial budget distribution is based on projection enrollment and a settle-up process is completed through the Resource Allocation Model once actual enrollment has been received. Vice Chancellor Kenton advised that he, Ms. Lewis, and Bob Kieran (director, institutional research) have visited the campuses over the past month to work with administration on projecting the allocation for 2013-14 and confirmed that the enrollment data is accurate and the projections are reasonable.

**ACTION:** Chair Schueler called for a motion to approve the final allocation of state funding for Fiscal Year 2012-13 (as reflected in Tables 2 and 3 of the docket materials). Directors Ciuffetti and Ganjifard made the motion and second, respectively. Motion carried.

d. Internal Bank Update

Chair Schueler called upon Controller Mike Green and Ms. Karen Levear. Controller Green advised this report reviewed the implementation of the Internal Bank to see whether or not it has achieved the original objectives. Two primary components make up the Internal Bank: 1) pooling operating assets and 2) pooling the debt and then loans are issued from the Bank. The pooling of the operating assets and stratifying the investments have been very successful; processes have been significantly simplified, saving a full FTE from the processes and earned 2.5 times the interest income that would have been otherwise earned ($10.9 million incremental investment income, in terms of how much students pay in tuition and fees, relates to the impact of an additional 1,200 students).

The pooling of the cost of debt has also been successful. Processes have been made easier to analyze future projects plans by having a known cost of capital that may be used for planning purposes. But the ability to borrow funds on an as-needed basis has allowed projects to start more quickly, minimizes the interest costs associated with projects, and reduces the possibility of owing arbitrage rebate to the IRS as the issuance of bonds may be delayed to spend more bonds proceed. There has been increased administrative processes relating to the issuance of loans and bond proceeds; therefore, the saved FTE has migrated to this function.

Highlights of other benefits received included providing funding to capital projects already in process when the legislature revoked bonding authority for certain student building fee-funded projects; establishing lines of credit for campuses to be used for any capital purpose, with $18.5 million having been advanced to campuses; and a portion of outstanding debt was paid from the Internal Bank rather than refunding it, creating an estimated savings of over $1.1 million over the life of the debt. A significant benefit is the ability to “front load” typically more expensive taxable debt into shorter-terms while still allowing the campus the desirable long-term borrowing. By using this approach, approximately $8 million was saved in total interest cost during the 2010 bond sale, and approximately $9.3 million will be saved over the life of the debt. Dr. Kenton noted that the Internal Bank Oversight Committee, comprised of...
campus vice presidents for finance and administration or their designees, continues to meet quarterly to monitor the bank and opined that the bank has been a good example of a shared service governed by the users. Discussion was held concerning several areas in which the bank could be improved or adjusted. Several vice presidents shared their compliments, not only of the bank’s performance, but of Ms. Levear.

e. Climate Action Plan/Carbon Emissions Update

Chair Schueler called upon Ms. Alice Wiewel, director of capital planning and construction, and Mr. Joshua Skov, principle, Good Company. The Good Company has been working with the System since 2004, developing, revising, and implementing an action plan. During 2012, a greenhouse gasses (GHG) survey was conducted, resulting in the Oregon University System FY2012 Greenhouse Gas Inventory of Operations Results and Benchmarking report. Good Company has been working OUS since 2004 and completed its first OUS climate action plan and inventory in 2003-04, and then again in 2007-08. This inventory was then updated in FY2012, using the boundaries now endorsed by the higher education community through the American College and University Presidents Climate Commitment (ACUPCC).

Mr. Skov advised that the GHG inventory work completed by OUS puts the System in a position not only to quantify future emissions reductions, but also to connect these efforts to a number of statewide climate action initiatives. These initiatives include:

- The state goal of reducing rates from the 1990 emissions by 10% by 2020 and 75% by 2050. The main challenge for OUS in achieving the 2020 goal is that current growth of enrollment and building space is faster than increasing efficiencies.
- The 1990 baseline and ACUPCC boundaries provide a foundation for planning and action related to a number of aspiration goal-setting efforts at the state level by the Global Warming Commission and at the local level by municipal governments.
- OUS’ previous supply chain GHG analysis provides a foundation for OUS efforts to participate in the Department of Environmental Quality’s Consumption-based Emissions Inventory and long-term effort described in DEQ’s 2050 Vision and Framework for Action for materials management.
- The inclusion of full fuel-cycle emissions draws on analysis in support of Oregon’s Clean Fuel Standard.

In completing the FY2012 GHG inventories for ACUPCC reporting and aggregate and summarize institutional-specific results into a Systemwide summary report, the following tasks were completed between December 2012 and May 2013:

- Assist a project liaison at EOU, OIT, SOU, and WOU in the collection of the required data for ACUPCC required emissions sources: stationary and mobile combustion, fugitive refrigerant losses, purchased electricity, commute, air travel, and solid waste. In addition, collect institutional data on campus population and building areas in order to calculate emissions intensities. Finally, collect data on the purchase of Renewable
Energy Certificates (RECs) or carbon offsets for the purpose of mitigating the institution’s GHG emissions.

- Conduct a commute survey and the associated analysis for the institutions listed above.
- Calculate emissions based on the gathered data using Clean Air Cool Planet’s Campus Carbon Calculator.
- Collect complete FY2012 GHG inventory results from OSU, PSU, and UO. Each of the larger OUS institutions was responsible for completing its own GHG inventory in support of this project.
- Identify and correct errors, fill data gaps and consistently apply methodology to FY2004 through FY2012 GHG inventories.

It was understood that OUS and campuses do not have the capacity to provide the technical work needed to complete regular inventories, and long periods between inventories exacerbate the problems. With regard to future inventories, three paths could be taken: 1) continue to hire a consultant in three to four years with System and campus staff providing support, 2) invest in additional capacity at several or all institutions as many higher education institutions and government agencies have done, or 3) have a centralized Systemwide function for on-going carbon accounting, either within the Chancellor’s Office or at one of the institutions.

Following a full and frank discussion, Mr. Skov reiterated the System’s high-levels goals from the OUS Campus Master Plan that provide strategic guidance about how to develop with a carbon constraint in mind:

- Provide thoughtful stewardship of a resource-constrained environment whose dimensions include the eco-system(s), land/real estate and financial resources.
  - All new construction shall have zero net addition of CO2 to the total campus emissions. Renovations shall lower the CO2 emissions of the facility by no less than 25%.
- Right-sized campus that makes the best use of existing infrastructure and facilities.
  - Reuse and repurpose before considering new construction.

f. Update on the Outcome-based Budget Project

Chair Schueler called upon Vice Chancellor Kenton to introduce the topic, who noted that when the 2013-2015 budget request was developed governor-appointed funding teams reviewed the preliminary budget during June (the Education Funding Team and the Economic Development Funding Team). The funding teams requested outcome-based budgets rather than under the first format, with 30% of formula funding be allocated on the basis of the institution’s success in achieving outcomes, such as numbers of certificates, associates degrees, baccalaureate degrees, advanced degrees; transfers to a four-year institution after accumulating a certain number of credit hours; momentum points such as successful completion of a college-level math course, of a college-level English course; successful completion of 15 degree credits,
30 degree credits, etc. Extra weighting should be provided for underserved students who achieve the outcomes and that formula design should reflect the distinct mission of community colleges and universities. Stop-loss provisions should be included to ensure that institutions do not experience dramatic changes in funding.

A committee was organized to work with NCHEMS (National Center for Higher Education Management Systems) in the creation of the OUS Outcome-based Budget Model. At this point in time, a definitive delivery date for the model has not yet been determined and consensus on the data elements contained within the model has not been reached. It is anticipated that the completed model will be presented at the October meeting. Vice President Rimai expressed concern that building a new budget model without additional funding is an exercise in “moving the deck chairs around.” Complete endorsement by all committee members will be difficult if all participants put the welfare of their university over others.

Committee members discussed the pros and cons of weighting various elements over others with relation to the economy and welfare of the citizenry of the state (e.g., baccalaureate versus master’s or doctorate degrees; serving low-income or rural or minority students). Interim Chancellor Rose noted the natural tension between the academic and finance sides of the house and described concerns over the lack of progress indicators included in the model. Chair Schueler opined that the full Board would be best place to discuss the model elements as the discussion would then include Academic Strategies Committee members.

4. **ADJOURNMENT**

With no further business proposed, the chair adjourned the meeting at 12:21 p.m.