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MINUTES

Committee members present included: Chair Kirk Schueler, Lynda Ciuffetti, Orcilia Forbes, Farbodd Ganjifard, and Brittany Kenison; Allyn Ford was absent due to a business conflict.

Chancellor’s Office staff present included: Interim Vice Chancellor Jan Lewis, Diana Barkelew, Kathy Berg, Marcia Stuart, and Charles Triplett.

Others present included: Vice Presidents Glenn Ford (OSU), Jamie Moffitt (UO), Lara Moore (EOU), Craig Morris (SOU), Monica Rimai (PSU), Eric Yanke (WOU), and Mary Ann Zemke (OIT); Sherm Bloomer (OSU), Randy Geller (UO); and Mario Parker-Mulligan (OSA).

1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Schueler called the meeting to order at 1:02 p.m. and the secretary took the roll.

2. ACTION ITEMS

a. OUS, 2013 Annual Financial Report

Chair Schueler called upon Interim Controller Diana Barkelew to present the item; she then introduced Jean Bushong, CliftonLarsonAllen LLP (CLA). It was noted that the CLA audit was conducted under U.S. Generally Accepted Auditing Standards (GAAS), which does not relieve management of responsibilities and includes consideration of internal control as a basis for audit procedures. She emphasized that CLA does not opine on the information provided within the financial report nor the effectiveness of internal controls; however, Ms. Bushong congratulated the universities and the System for a “clean opinion,” in spite of the personnel turnover that had occurred over the past few months. Of note, a restatement of the financial statements occurred due to the PERS transitional liability transferred from the state during the year (thereby reducing net assets by $99 million). An IT audit of the universities was conducted by CLA, which issued reports to each campus noting that no significant deficiencies or material weakness were found. As the System moves forward with new governance structures, it will be critical that each campus has a clear understanding of internal controls with a proper segregation of duties in place to verify that financial statements remain materially correct. Former Controller Mike Green commended Ms. Barkelew and her team for their significant work over the past year, especially in light of the loss of three departmental employees during
the year. Vice President Morris agreed and offered that the smooth conduct of the audit was noticed and appreciated at the campus-level.

**ACTION:** Following discussion, Chair Schueler called for a motion to accept the 2013 Annual Financial Report; Directors Orcilia Forbes and Brittany Kenison made the motion and second, respectively. Motion carried.

b. New Capital Projects for Consideration in the February 2014 Legislative Session

Chair Schueler called upon Interim Vice Chancellor Jan Lewis to provide the Committee with the proposed prioritization of the capital requests submitted by the campuses. The legislative leadership provided guidance in the submission of requests, giving priority to life safety concerns. Six universities came forward with project requests for which they would request authorization during the February 2014 Legislative Session.

The following prioritization list was presented to the Committee:

Tier 1 (Subtotal $24,501,100): highest priority, immediate life safety concerns:
- Oregon Tech–Utility Tunnel Failure and Repair ($1,101,100)
- SOU–McNeal Hall Seismic/Deferred Maintenance Upgrade ($21.3 million)
- UO–Utility Tunnel Failure and Repair ($2.1 million)

Tier 2 (Subtotal $36,337,360): significant preventive measures to ensure life safety and/or elements of life safety addressed within larger projects with 40-40-20 implications, accessibility and compliance issues, and deferred maintenance:
- Oregon Tech–Klamath Falls Campus Fire Alarm System Replacement ($2,337,360)
- OSU–Campus Accessibility (ADA) Improvements and Cascades Academic Building ($10 million)
- PSU–Renovation and Expansion for Graduate School of Education ($17 million)
- UO–Chapman Hall ($7 million)

Tier 3 (Subtotal $5,250,000): other important projects addressing 40-40-20 goals, unique state goals such as Wood Products Initiative, and finishing projects already underway:
- OSU–Cascades Academic Building ($3,850,000)
- WOU–College of Education supplemental funding ($1.4 million)

Other (Subtotal, $5–$8.1 million): Emergent Opportunity Involving Other State Agency:
- WOU–College of Education Supplemental Funding and Oregon Military Academic Building Acquisition Phase 1

Vice President Eric Yahnke, WOU, expanded on his concerns with the description of the “supplemental funding request” designated for the College of Education as there are numerous; in total, the project will require $18.6 million for approximately a 65,000 square foot
new building. It is anticipated that the project will begin Spring 2015 with the sale of bonds and, when completed, the existing building would be vacated. Options are being weighed for refurbishing the current building for ADA compliance, ultimately for academic instructional usage. He offered that the new building has been the first College of Education in the state designated by the Governor as an Innovative Wood Products project. Chair Schueler emphasized that the Committee, if approved, will submit the list in its entirety with its prioritization. In response to Director Forbes’ query, Yahnke advised that $1.4 million was originally budgeted as private donor-funded; however, with the current uncertainty with the institutional governance structure, these funds have not been raised.

**ACTION:** Following a full and frank discussion, Chair Schueler called for a motion to approve the campus requests as prioritized above, for submission (along with project narratives and any related materials such as engineering reports) to the Ways & Means Committee for consideration during the February 2014 legislative session, with the recommendation to change the labels from Tier to Category. Directors Kenison and Forbes made the motion and second, respectively; motion carried.

3. **REPORT ITEMS**

a. **Review of Legislative Agenda**

Ms. Lewis advised the Committee that, as part of the agreement with SEIU for the acceleration of step increases for all SEIU employees on all campuses, an incremental funding of $1.15 million would be allocated for the TRUs. This appropriation was in acknowledgement that the three larger campuses are better positioned in terms of compensation that they could offer their classified employees while the four TRU campuses would require assistance.

A request will be submitted to the legislature by Central Oregon Community College for additional bond funding and thereby buy-out OSU’s debt obligation on Cascades Hall. Chair Schueler opined that this funding request by COCC will benefit the financial well-being of the state. Additionally, statutory language will be attached to the omnibus bill for a “technical fix” to allow the co-mingling of funds to accommodate the treasury shared services.

b. **Transition Progress Report**

Ms. Lewis provided a brief report on the transition progress. Just prior to the Committee meeting, President Bob Davies (EOU) and Dr. Jay Kenton reported to the legislative committee the results of the shared services work group and its recommendation; much work continues to be accomplished in finalizing the shared services agreements. The legislative committee expressed overall consensus of the approach that the presidents’ work group is taking in the creation of the Shared Services Enterprise (SSE).

It is anticipated that all agreements would be in place by April 1 (i.e., the master or “umbrella” agreement for the SSE, transition agreements with the hosting universities, and subset service
agreements in which each university will contract for services). The vice presidents for finance and administration continue to meet to create the templates of each service area and the transition agreements (e.g., payroll, financial statements, treasury, etc.).

Ms. Lewis shared that Oregon State has begun the search for the executive director for the SSE with the submittal of a Request for Proposal (RFP) and has received responses from four search firms. Vice President Ford advised that the seven System vice presidents for finance and administration have agreed to serve as the search committee and will be finalizing the position description, selecting the search firm, and announce the position opening.

Noted changes within the Chancellor’s Office include: Patricia Snopkowski has accepted a position at OSU and Kathy Berg will be serving as interim executive auditor of IAD. Michael Green has accepted a position at OSU and Diana Barkelew will serve as interim controller. Karen Levear has accepted a position at the University of Oregon and Penny Burgess will serve as interim director of treasurer, with Gail Bartlett returning on a 1039 appointment to assist in investment and cash management, and Mary Hatfield will take on additional duties. A staffing plan is in place for treasury shared services, with a search underway for debt/accounting analyst to report to Mary Hatfield. Jan Lewis will transition to a position at OSU on February 1 but will be on loan to continue work on the transitioning of responsibilities to the HECC. OUS Business Services has reorganized following the departure of two key employees. Manager of Business Services Jackie Thorsness, who has also accepted a position at OSU, created a transition plan to assist in the smooth transition of responsibilities during these challenging times. Other employee departures have occurred in capital planning, data systems, accounting and reporting, and budget and, as these positions will not be filled, staff are working to fill-in as needed to ensure the continued work in these areas. Although Vice Chancellor Jay Kenton has retired, he has agreed to return at a .6 FTE through June 2014. Director Kenison expressed her appreciation for the dedicated work that the Chancellor’s Office staff continue do.


Ms. Lewis introduced Ms. Susan Musselman, with Public Financial Management, Inc. (PFM) (who joined by phone), who led the review of the TRU five-year financial projects. In support of the University Governance Work Group’s (UGWG) review of the technical and regional university business plans in the university governance options, PFM was retained to provide a third party evaluation of these five-year business plans. Ms. Musselman emphasized that PFM undertook this assignment with the understanding that a limited review to verify the computational accuracy of the pro-forma spreadsheets provided by each institution was to be conducted within a compressed timeframe. In addition to verifying the computational accuracy, a high-level review of assumptions, in the context of the historical trends affecting the variables, was conducted. She cautioned that PFM did not evaluate the financial sustainability and feasibility of the university’s pro-forma projections nor conduct analysis of the assumptions or results. The review covered only Education & General Funds without taking into account other funds; enrollment plans or models were not evaluated. Unknown variables with potential
future ramifications may affect what has been projected; these include, the allocation of shared services costs, national changes to healthcare, and the overall economic recession impact on enrollment.

In reviewing the report, PFM was asked whether or not they had received Southern Oregon’s best/medium/worst case scenario financial projections and if the 5% tuition increases for FY2016 and 2017 (listed on page 4) reflected one of those scenarios. Musselman advised that SOU’s financial scenarios were received, with the medium case used in this review. Many factors feed into sustaining enrollment growth—tuition, faculty-student ratios, economic conditions, target markets, etc.—were not included in the scope of the review. Interim Chancellor Rose advised that the Board chair desires a reflection on whether or not the information provided meets the need for present considerations or if additional work is needed; however, due to the compressed timeline, the narrow study scope was prudently chosen. Chair Schueler acknowledged that the conclusions provided by PFM validated the Board’s thinking and did not highlight some unseen factor that would significantly impact decisions. Additional discussion centered around indicators that may affect regional areas positively or negatively, the capacity to grow philanthropic funding, agreements within the business communities (such as Oregon Tech’s agreement with Boeing), and whether or not the practice of interinstitutional fund transfers adversely affect a university’s reserves. Ms. Barkelew advised that the CFI (Composite Financial Index) has been conducted, and, at Dr. Rose’s recommendation, will be presented to the Committee and the UGWG in the near future.

**NEXT STEPS:** The Chancellor’s Office will review and respond to the PFM report, with both analyses provided to the UGWG at the work group’s next meeting. It is anticipated that a full Board decision on governance options will be made at the April 2014 meeting.

4. **ADJOURNMENT**

Chair Schueler shared that a celebration of life for former OSU vice president for finance and administration, Mark McCambridge, will be held on Sunday, January 26. Mr. McCambridge served as Oregon State’s CFO for over two decades and will be remembered with fondness and admiration throughout the Corvallis community.

With no further business proposed, Chair Schueler adjourned the meeting at 3:19 p.m.