1. Call to Order/Roll Call/Welcome ................................................................. 1
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1. **CALL TO ORDER/ROLL CALL/WELCOME**

Chair Donald W. Blair called the meeting to order at 8:15 a.m. and asked Secretary Stuart to note the roll. Committee members present included: Chair Blair, Kirby Dyess, and Tony Van Vliet. Director John von Schlegell was absent due to a business conflict. Other Board members present included: Directors Jim Francesconi, Hannah Fisher, Paul Kelly, Adriana Mendoza, Dalton Miller-Jones, and Preston Pulliams.

Campus representatives present included: Presidents Mary Cullinan (SOU), Dixie Lund (EOU), Dave Frohnmayer (UO), John Minahan (WOU), Ed Ray (OSU), and David Woodall (OIT). Provost Lesley Hallick (OHSU) and Vice President Lindsay Desroches (PSU) were also in attendance.

2. **CONSENT ITEM**

a. **UO, Academic Learning Center for Student Athletes**

**COMMITTEE DOCKET:**

Plans to build an Academic Learning Center for Student Athletes at the University of Oregon are moving forward. Currently, Support Services for Student Athletes are provided in Esslinger Hall in offices that housed the athletic department prior to construction of the Casanova Center. These facilities are seriously deficient in both space and quality. This is especially true as the roster for track and field has grown and as recruitment has started for both the new men’s baseball team and the women’s cheer team. The University has for some time been in conversation with donors regarding the development of a facility to provide much needed study and tutoring space for student athletes, as well as space that will be available for use by the University in general including a large classroom/auditorium.

The project will provide a key anchor point for the Learning Neighborhood discussed by Senior Vice President and Provost Linda Brady at a presentation before the Board in October 2007. The neighborhood concept itself is a key companion to and an integral part of the strategic housing plan. It will focus support services for all students in one area and will connect residential campus areas with areas of instruction and research.
The new facility will be located on the west end of what is now a staff parking lot near the corner of Agate Street and Franklin Boulevard. This building, plus a proposed Alumni Center and arena, will establish the new gateway to the University.

The University is granting a license that allows Phit, LLC, a subsidiary of the University of Oregon Foundation, permission to construct a facility on that site. When completed, Phit, LLC will give the Academic Learning Center for Student Athletes to the University as a gift-in-kind. The license commenced on December 1, 2007, and construction is scheduled to begin immediately after the Olympic Trials are completed in July 2008. The license will end when the Academic Learning Center for Student Athletes is turned over to the University, but no later than July 2010.

This new facility will be an auxiliary facility. All costs of operation and maintenance will be the responsibility of the UO Athletic Department.

**Staff Recommendation to the Committee:**

Staff recommended acknowledging the receipt of the University of Oregon’s plan to build an Academic Learning Center for Student Athletes and approves granting of a license to Phit, LLC, with the understanding that the license will expire once the Center is turned over to the University or no later than July 2010.

**COMMITTEE DISCUSSION AND ACTION:**

Chair Blair called upon Vice Chancellor Kenton, President Frohnmayer, and UO General Counsel Melinda Grier to answer questions that the Committee might have. Chair Blair congratulated President Frohnmayer for achieving a self-supporting athletic program and then questioned whether the proposed construction of the new facility would undermine that achievement. Ms. Grier explained that the current facility is substandard and although the new building would be incrementally higher in cost, that, after looking at current and projected operating costs, the department would be able to sufficiently budget those increased costs. In response to Director Van Vliet’s question, Vice Chancellor Kenton assured the Committee that the proposal would not jeopardize the financial viability of the auxiliary.

Chair Blair made the motion to approve the the granting of a license to Phit, LLC, as outlined in the docket. Those in favor: Blair, Dyess, and Van Vliet. Opposed: none. Motion passed.

3. **Action Item**

   a. **EOU, Implementation of the Repositioning Plan**

Chair Blair called upon President Dixie Lund, Eastern Oregon University, to present proposed implementation of the University’s repositioning plan (this plan is available in the Board’s Office).
President Lund thanked Dr. Michael Jaeger, Provost and Vice President for Academic Affairs; Ms. Virginia Key, Vice President for Finance and Administration; and Mr. Tim Seydel, Associate Vice President for Marketing, Development, and Public Affairs for their incredible work in helping her and five others prepare the repositioning plan.

She emphasized that EOU’s mission is to be an exemplary, student-centered institution and to meet the economic, cultural, educational, and social needs and interests of east Oregonians. EOU is the hub of eastern Oregon—serving as an economic engine, providing an educational research and scholarly center, and a regional environment for political and social interaction, debate, and discussion. Eastern is very partnership-oriented and enjoys many collaborations with other OUS and community college institutions, plus private industry—either on the La Grande campus or elsewhere—where and when they can contribute a particular niche in a fiscally responsible manner.

President Lund noted that Eastern’s enrollment, instead of continuing a downward trend as had been predicted, has stabilized over the last two terms and that Eastern is cautiously optimistic that, from all the activities and the personnel changes already initiated over the last six to eight months, recruiting efforts are working. Eastern’s three-year financial plan demonstrates that Eastern has planned conservatively for such enrollment growth and has built into the plan both investment opportunities in new areas where it will require a fiscally solid business plan plus gradual increases in its fund balance from its low of 3.2 percent at the beginning of this fiscal year to a 5.5 to 6 percent range at a minimum at the end of fiscal year 2010.

Dr. Lund advised that the repositioning plan focuses on enrollment management strategies, increased partnerships with OUS institutions, community colleges, and private industry, and anticipated exchange programs with Oregon Institute of Technology.

President Lund stated that Eastern is already a leader in distance education and will be developing even more flexible opportunities for students on campus, online and onsite, to accommodate scheduling and possibly accelerate degree completion. Eastern has invested in additional recruitment and admissions personnel and marketing materials and has received some private dedicated financial support from various individuals and foundations. Eastern will invest in its information technologies to further advance a multi-modal approach to reaching students and finding instructional efficiencies. President Lund pointed to increased efforts at retention by integrating advising staff from Eastern’s highly successful distance education program into a university-wide student success center. She feels there will be improved student services through the distance education integration and the location and cross-training of EOU’s reorganized student access center, including a call-in center with extended operating hours.

Eastern is moving some tenured and tenure-track faculty to in-load instruction, meaning a part of their regular campus contract for teaching their distance education courses, when their on-campus courses are not fully enrolled which results in significant savings. There may also be savings from terminations of adjunct faculty who may be teaching those distance courses as
tenured and tenure-track faculty assume in-load instructional responsibilities; that is also in line with Eastern’s faculty librarian contract.

President Lund said Eastern will make reductions in unnecessary duplication and will reduce permanent staff where peak-period temporary help could be employed. Significant adjustments in the residence life program and with the support of the student incidental fee committee has reduced dependency on state funds and did result in Eastern’s ability to reduce its budget cut from $4.5 million to $4.1 million. Eastern also has appropriately applied funds from ETIC and health initiatives to cover instructional costs associated with increasing the number of sections of pre-requisite courses that are in demand by pre-nursing, pre-dental hygiene, computer science, and multimedia students; the availability of these funds has further reduced dependency on regular education and General Funds.

Eastern is applying for specific grants to fund a popular non-credit community program called the Community School of the Arts that will continue the program albeit removed from dependency on state funds. There also will be some retirements beginning July 2008 and those vacancies will remain unfilled. Rural access funds will be used to enhance and stabilize Eastern’s first year experience program, which draws students from rural areas who are at risk due to insufficient academic or social preparation for college. Eastern’s experience thus far shows that retention of such first year experience students into their sophomore year is significantly higher—80 percent—than it is for students in general at Eastern, which is roughly 64 percent—another area that Eastern will be addressing to increase that retention level. There will be frequent and regular program reviews of all academic programs for relevance to Eastern’s mission and for fiscal sustainability.

President Lund noted that the Chancellor has requested that each retained (mentioned in the Plan on pages 54 through 56) be identified with an aspect of Eastern’s mission or be shown as meeting a strong student demand; that addendum to the document will be provided electronically or brought to the next Board meeting.

President Lund stated firmly that she believes in this plan and in the approaches taken to return Eastern to financial stability and to prepare it for enrollment growth. She believes in the University’s ability to move forward with an increased focus in the area of program review, effectiveness, and fiscal accountability, no longer operating Eastern on a “build it and they will come” mentality but rather on data-driven decision-making. She then requested approval of the plan and for the Board’s trust in the current leadership of the university, in the students, the faculty and staff of EOU and in the community and political supporters. She then thanked the Board for its attention and welcomed questions, along with Provost Jaeger, Vice President Key, and Associate Vice President Seydel.

Chair Blair expressed both the Board’s and his personal appreciation for everything President Lund has done for Eastern and noted her passion and commitment is very evident, as President Lund had come out of retirement a second time to take on the repositioning project. He acknowledged that this is not a pleasant experience for the campus community but one of the things he believes President Lund has done is a great job of trying to make this an opportunity
for renewal. He noted that there are some elements of the plan that he really liked, specifically the understanding of what the institution should be – in particular, the call-out around student success and instruction. The conversation around regular program review, ensuring each element of the curriculum matches either student demand or clear strategic linkage back to what the institution is trying to do is something that OUS could probably do more consistently across the whole System. Chair Blair pointed out two areas that are really exciting for the future as not only the potential for partnerships but also doing some things that have never done before, whether sharing opportunities for administrative and support services or more academic connections to help leverage the whole system as opposed to just one institution. He went on to say that President Lund did a great job of calling out that agenda and he hoped that over the next six to twelve months there can be some substantive progress in those areas. He also liked the concept of multi-modal instruction and believes it opens a window to a whole new way of delivering educational experiences to students that might also be leveraged more effectively across the System.

President Lund again thanked Provost Jaeger as this has all truly been a team effort and the annual program assessment and review has been a high priority for Provost Jaeger, who had a short time that he has actually been in that role (officially, four days).

Director Van Vliet made the motion to approve Eastern’s proposed implementation of the repositioning plan. All in favor: Dyess, Van Vliet, and Blair. Opposed: none. Motion passed.

4. **Report Item**

   a. **Internal Audit Progress Report**

**COMMITTEE DOCKET:**

The OSBHE Audit Charter states that the Oregon State Board of Higher Education (the Board) has oversight responsibility to ensure that Oregon University System (OUS) management is performing their duties of financial reporting, ensuring effective and efficient internal controls, and complying with laws, regulations, and ethics.

In order to assist the Board in carrying out its responsibility, the charter further provides that the Board shall review, at least semi-annually, the results of Internal Audit Division’s recommendations and follow-up procedures. More frequent meetings will be held as deemed necessary.

During the period from September through December 2007, the OUS Internal Audit Division issued eleven reports, including four management request engagements, one information technology project, and six reports on surplus property management and cashiering.

The results of the two scheduled projects are summarized in the following table:
### Audit Project Title

<table>
<thead>
<tr>
<th>Audit Project Title</th>
<th>Institution</th>
<th>Risk Rating (as of 12/18/07)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cashiering</td>
<td>UO</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>OSU</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>EOU</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Systemwide</td>
<td>N/A</td>
</tr>
<tr>
<td>Surplus Property Management</td>
<td>PSU</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>Systemwide</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Ratings** — The rating relates to the selected financial, compliance, and operational areas tested. The rating is NOT a global performance rating. The rating corresponds to the level of management priority.

**High** — Some controls exist, but they are generally not functioning as intended and additional controls are needed.

**Medium** — Controls exist, but some controls are not functioning and/or additional controls are needed.

**Low** — Controls are in place and functioning effectively. Additional control enhancements are outlined in the recommendation section of the report.

### Committee Discussion:

Chair Blair postponed the Internal Audit Progress Report until the February committee meeting and offered condolences to Internal Audit Director Patti Snopkowski for the death of her father.

5. **Discussion Item**

a. **Proposed Purchasing, Contracting, and Construction Rules**

**Committee Docket:**

**Summary:**
OUS institutions are requesting the Board review and approve modifications to OUS administrative rules that govern procurements of professional services, goods and services, construction services, and purchases of real property. The guiding principles behind the rule revision have centered around increased transparency, accountability and flexibility.

Staff is proposing that the rules be temporarily adopted at the February 2008 Board meeting so that institutions can modify business practices that have become administratively inefficient and out of compliance with statutory requirements. The temporary rule would remain effective for a maximum of 180 days. During that period, the Chancellor’s Office will conduct public
hearings to ensure that the public has an opportunity to comment on the changed business practices prior to final Board adoption.

**Background:**

In 1995, OUS was given statutory authority to develop its own rules relating to procurements of professional services, goods and services, construction services, and purchase of real property. OAR Chapter 580, Division 40 and 50 were created to set out the procedures for conducting procurements. In addition, Internal Management Directives (IMDs) were created to further address technical aspects of procurements. For several years, OUS institutions have expressed a desire to modernize the rules to better reflect the institution business model as well as ensure OUS conducts business in a manner that is transparent, accountable, and flexible.

In preparation of the rule update, staff would like the Board to consider the following principles that were used by the rule revision committees to guide the process:

**Transparency** – OUS and its member institutions will ensure that there is openness and clarity in processes and will endeavor to be consistent, competitive and supportive of the needs of our communities, including the State of Oregon’s Minority, Women, and Emerging Small Businesses.

**Accountability** – OUS and its member institutions need to base procurements on accurate information and to monitor the responsibilities delegated to the Chancellor and presidents or appointed designees. OUS and its institutions should not impose unnecessary burdens or constraints on suppliers or potential suppliers, and conduct business without unfair discrimination, corruption, or collusion.

**Flexibility** – OUS and its member institutions should be efficient and cost effective as possible and strive to competitively procure unless there are convincing reasons to the contrary.

Because the OUS rules have not been updated for 12 years, institutions have been limited from engaging the contracting community using current market methods that would be administratively easier for both the institution and for contractors. In fact, the OUS rules reference sections of the 1995 Attorney General Model Rules that are no longer easily accessible to the contracting community. Campuses retain only a couple tattered copies of the Model Rules, which must be used on a daily basis. Another source of confusion has been IMDs, which outline Board policies that conflict with the current administrative rules and are significantly out of date.

The goal of the rule revision was to ensure that institutions adhere to the guiding principles while accommodating seven different business models. These rules provide the large framework for how the institutions will conduct business. A significant amount of flexibility was included in the rules to allow institutions to develop specific institutional policy of how they
conduct business. In addition, all of the applicable Attorney General Model Rules and IMDs have been incorporated into the rules.

To develop the proposed rules, the Chancellor’s Office formed committees that included institutional vice presidents, campus General Counsels, business directors, procurement directors, facility directors, OUS Internal Audit, the Department of Justice, the Governor’s Advocate for Minority, Women, and Emerging Small Businesses, and other key procurement personnel. At every step of the rule revision process, Chancellor’s Office staff stressed that because the rules are for the benefit of all institutions, every institution should participate to ensure that campus needs are addressed. The collaboration has resulted in rules that address campus needs while ensuring that OUS is on the forefront of conducting modern business practices.

In the current OUS rules, institutions are permitted to adopt campus administrative rules upon approval of the Vice Chancellor for Finance and Administration for the procurement of professional services and goods and services. OSU and the UO have adopted their own rules for these procurements. In the past, this option has provided an opportunity for a campus to modify rules to meet specific needs. The drawback to this authority has resulted in confusion on the part of the contracting community and a concern that OUS is not conducting business in a manner that meets the principles of transparency, accountability, and flexibility.

In particular, the proposed rules were modified upon request by the UO, OSU, and PSU to address campus specific needs. The proposed rules do not contemplate institutions creating their own procurement rules. In the event the Board grants institutions that authority, staff recommends that such rules be approved by the Board for continued use and for all future rule modification.

Table 1 presents a contrast of the current rules versus the set of proposed rules for the significant activities and authorities contemplated in the re-write. This proposed environment is predicated on doing business with more decentralized authority and responsibility balanced with personal accountability for the discharge of procurement duties.

A structural change was made to the rules to better outline the business practice for each type of procurement. Separate divisions of administrative rules were created: Division 60 – Real Property, Facility, and Campus Planning; Division 61 – OUS Procurement and Contracting Code; Division 62 – Purchasing and Contracts for Personal or Professional Services and Goods and Services; and Division 63 – Capital Construction and Contracting.

**Staff Recommendation to the Committee:**

Although this is a discussion item, the staff intends to seek Board approval at the February meeting to repeal System OAR chapters 580-040-0100 through 0295 and 580-042-0005(1)(f), 580 Division 50 in its entirety; repeal OSU OAR chapter 576-008-0200 through 0295; repeal UO OAR chapter 571-040-0010 through 0460; and delete the below listed Internal Management Directives. Additionally, approval to temporarily adopt the rules titled: Division 60 – Real
Property, Facility, and Campus Planning; Division 61 – OUS Procurement and Contracting Code; Division 62 – Purchasing and Contracts for Personal or Professional Services and Goods and Services; and Division 63 – Capital Construction and Contracting.

Internal Management Directives to be repealed:

Section 6 – Gift, Grant, and Contract Management
  6.100 ....Grants and Contracts
  6.101 .....Personal Service Contracts: Definitions, Standards, and Procedures
  6.102 .....Authority to Enter into Personal Services Contracts
  6.103 .....Justification of Personal Services Contracts

Section 6 – Property Procurement/Management
  6.150 .....Assignment of Responsibility – Personal Property
  6.155 .....Purchases to Conform with Department of General Services Regulations
  6.160 .....Purchase of Books and Periodicals
  6.170 .....Responsibility for Review, Retention, and Disposition of Real Property
  6.175 .....Guidelines for Real Property Retention and Disposition Decisions

Section 7 – Planning, Facilities, Physical Plan, and Equipment
  7.001 .....Land Acquisition Policies
  7.010 .....Rededication of Physical Facilities
  7.100 .....Long-Range Campus Development Planning
  7.105 .....Space Use Objectives and Building Planning Standards
  7.106 .....Authorization to Undertake Capital Construction Projects
  7.110 .....Categories of Capital Outlay Expenditures
  7.115 .....Cost Allocation of Utility Services
  7.125 .....Air Conditioning
  7.130 .....Approval of Plans, Specifications, and Contracts
  7.140 .....Acceptance of Buildings
  7.145 .....Plant Rehabilitation
  7.155 .....Use of Facilities for Other Than State Purposes
  7.160 .....Lease of Retail Store Spaces in Institutions Buildings
  7.170 .....Board-Provided Housing
### Table 1: Administrative Rule Changes Being Contemplated for Divisions 40 and 50

<table>
<thead>
<tr>
<th>Proposed Major Changes</th>
<th>Current Rule</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Miscellaneous</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorizes Campus to adopt unique rules</td>
<td>Permitted for Division 40 upon Vice Chancellor approval</td>
<td>No provisions for separate campus rules.</td>
</tr>
<tr>
<td>Definitions and Contracting Code</td>
<td>Separate for Division 40 and 50</td>
<td>Consolidated Division 40 and 50 into single Division 61</td>
</tr>
<tr>
<td>Advertising of Opportunities</td>
<td>Publish in Newspapers for Formal Procurements</td>
<td>Notice provided on OUS Opportunities Web Site</td>
</tr>
<tr>
<td>MWESB Notice and Reporting</td>
<td>To Gov's Advocate or ORPIN (DAS Procurement System)</td>
<td>Notice and Reporting provided by OUS Opportunities Web Site</td>
</tr>
<tr>
<td>Code of Ethics/Conflict of Interest Declaration</td>
<td>None</td>
<td>Requires members of Evaluation Committee to complete conflict of interest declaration</td>
</tr>
<tr>
<td>Sexual Harassment Policy</td>
<td>None</td>
<td>Added per 9/9/2005 Board requirement</td>
</tr>
<tr>
<td><strong>Use of Property</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase and Sale of Property</td>
<td>Board Approval</td>
<td>Institution President Approves up to $1 million; Board for amounts &gt;$1 million</td>
</tr>
<tr>
<td>Leases</td>
<td>Informal Policy: Board Approval if over 5 years</td>
<td>Institution President Approves up to 10 year lease, Board approved leases longer than 10 years and improvements if over $5 million</td>
</tr>
<tr>
<td><strong>Capital Construction Contracting</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Procurement</td>
<td>Authorized</td>
<td>No changes</td>
</tr>
<tr>
<td>Sole Source</td>
<td>Not authorized</td>
<td>Board approves any amount; institution president may authorize up to $5,000,000. Must document and report annually to the Board each occurrence of &gt;$25,000.</td>
</tr>
<tr>
<td><strong>Contracts for Professional Consultants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Procurement</td>
<td>Under $75,000, direct procurement for any consultant</td>
<td>Solicit 3 proposals: Retainer $75,000 to $250,000 Standard $25,000 to $75,000</td>
</tr>
<tr>
<td>Informal</td>
<td>$75,000 to $200,000, select from retainer or formal RFP for standard procurement</td>
<td>$250,000 to $1 million, advertise to all on retainer or formal RFP above $75,000 for standard procurement</td>
</tr>
<tr>
<td>Formal</td>
<td>Above $200,000 requires formal RFP</td>
<td></td>
</tr>
<tr>
<td><strong>Contracts for Construction Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Procurement</td>
<td>Under $25,000 direct procurement for any contractor</td>
<td>Retainer up to $50,000 and standard procurement up to $25,000.</td>
</tr>
<tr>
<td>Informal</td>
<td>$25,000 to $500,000 Solicit 2 bids from retainer or formal RFP</td>
<td>Solicit 2 bids: Retainer $50,000 to $250,000 Standard $25,000 to $100,000</td>
</tr>
<tr>
<td>Formal</td>
<td>$500,000+ formal RFP</td>
<td>$500,000 to $1 million, solicit bids from all retainer contractors or formal RFP above $100,000 for standard procurement</td>
</tr>
<tr>
<td><strong>Professional, Goods and Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contracts for Professional Consultants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Procurement</td>
<td>Under $5,000, direct procurement</td>
<td>Under $25,000, direct procurement</td>
</tr>
<tr>
<td>Informal</td>
<td>$5,000 to $25,000, 3 bids</td>
<td>$25,000 to $75,000, 3 bids</td>
</tr>
<tr>
<td>Formal</td>
<td>$25,000+, formal RFP</td>
<td>$75,000+, formal RFP</td>
</tr>
<tr>
<td><strong>Contracts for Goods and Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct Procurement</td>
<td>Under $5,000, direct procurement</td>
<td>Under $25,000, direct procurement</td>
</tr>
<tr>
<td>Informal</td>
<td>$5,000 to $50,000, 3 bids</td>
<td>$25,000 to $100,000, 3 bids</td>
</tr>
<tr>
<td>Formal</td>
<td>$50,000+, formal RFP</td>
<td>$100,000+, formal RFP</td>
</tr>
<tr>
<td>Negotiation</td>
<td>Not Authorized</td>
<td>Follows DOJ Model Rules when conducting</td>
</tr>
<tr>
<td>Exemptions</td>
<td>Authorizes specific goods or services to be exempt from competitive process</td>
<td>Adds to exempt: doctors, nurses, performers, artists, utilities, employee benefits, banking, and finance agreements</td>
</tr>
<tr>
<td>Rule hierarchy</td>
<td>Funding agencies may have more stringent requirements that must be followed when making procurements using their funds</td>
<td>Funding agencies may have more stringent requirements that must be followed when making procurements using their funds</td>
</tr>
</tbody>
</table>
COMMITTEE DISCUSSION:

Chair Blair called upon Vice Chancellor Jay Kenton, Director of Purchasing and Contracts George Marlton, Director of Capital Construction, Planning and Budget Bob Simonton, and Governor’s Advocate Lydia Muniz, to present the proposed Oregon Administrative Rules.

Bob Simonton began by noting the two committees updating the Administrative Rules governing procurement of goods, services, capital construction, and real property began the process over a year ago and involved input from internal audit staff, the Department of Justice, and representatives from each campus. The rules have not been updated for over 12 years and three guiding principles were developed to achieve consensus among all the stakeholders: transparency, accountability, and flexibility. He called upon Director of Purchasing and Contracts George Marlton to cover the goals for the rule changes: condense the rules into one document from internal management directives, Board policies, administrative rules from OUS, campuses and state agencies, and an outdated 1995 text – the first goal of this rules revision is to consolidate all these into one location for ease and efficiency of both procurement professionals and the contracting community. The second goal was to provide flexibility for the campuses, recognizing each campus’ individual needs based on business structure and location. Finally, he noted the third goal is to modernize the rules in line with significant statutory changes and market methods.

Bob Simonton referred to the spreadsheet in the docket identifying major changes and proposed new rules and briefly summarized these revisions. Lydia Muniz presented information on the role of minorities, women and emerging small business and how these groups fit the new regulations. She indicated that she is very pleased to be able to express her support for the initiatives being considered for the emerging small business program (which is race and gender neutral) in the University System. George Marlton followed with an overview how the ESB program fits into the proposed rules by noting tools to assist campus professionals in awarding contracts: how to create a priority of contract award, create exclusive ESB opportunities; third is awarding additional evaluation points if the company is an ESB; and fourth is awarding the ESB with the contract if the ESB bid is within one percent of the lowest bid. The goal is to provide four rules that the campuses will be able to tailor to their specific projects.

Chair Blair wanted to know how much procurement is going to these businesses, to which Marlton replied that they will begin a data gathering project and develop an OUS website where this information is tracked and, on an annual basis, reported.

Bob Simonton then pointed out there would be a public hearing and then they would come back before this Committee in February to adopt temporary rules. He added a fifth focus item, which is a Code of Ethics/Conflict of Interest recommendation from OUS Internal Audit and the University of Oregon, evaluation committee members would complete a conflict of interest declaration. There would also be added in a sexual harassment policy, which was adopted by the Board in 2005. Finally, it is proposed that the presidents be authorized to approve purchases of up to $1 million, together with some changes in the lease policy allowing for
greater years and financial limits. There ensued discussion between Chair Blair and Bob Simonton regarding the issues of length of lease and dollar figure in an attempt to determine a feasible aggregate. Simonton pointed out that one consideration was the length of time property would be tied up and the goal was still to afford campuses as much flexibility as possible. Chair Blair provided some further suggestions for implementing these specific rules. Vice Chancellor Kenton reminded Chair Blair that OUS must still comply with multiple statutes with differing thresholds and OUS doesn’t control that without legislative approval.

President Frohnmayer interjected that the discussion needs to continue with the Chancellor’s Office to determine whether and when there is an appropriate level for institutional rules which may be separate from the Board’s, to which Vice Chancellor Kenton replied that thresholds were pushed up in many areas to accommodate institutions that wanted to have higher thresholds with the opportunity for other campuses to have lower thresholds, if desired. He pointed out the goal is to give the vendor community consistent policies and procedures, and reporting requirements, to be used Systemwide. Bob Simonton added that it has been an attempt to achieve a balance particularly on the sole source issue and Chair Blair indicated that sole source is one of the areas he is least comfortable; that transparency, fairness, and equity is really important, and especially that the institutions are charged with ensuring that the money the citizens entrust to the institutions is well spent. He stated that institutions “should be pretty tough-minded about it” and really articulate and document why a project needs to be sole-sourced; it may be there is a role for the Chancellor’s Office and that sole source should be an exception rather than something done easily.

Director Van Vliet suggested sometimes a sole source may be necessary because the source may be the only manufacturer of a piece of equipment or so far ahead of everybody else so the institution would need the flexibility to do that. Vice Chancellor Kenton agreed this was the intent and reiterated these rule changes are all about trying to set thresholds and balance the give and take between the delegation of authority to the campuses, the Chancellor, and the Board. Chair Blair again indicated that a $5 million threshold sounded like a lot of money and suggested different ways of reporting thresholds – the rules need to articulate exceptions. Vice Chancellor Kenton indicated Chair Blair’s points were well taken and that his committee had looked at about 25 states’ rules and essentially picked a middle ground with these new proposed rules.

Chair Blair summarized that he agrees with the principles and believes authority and accountability should be delegated to senior leadership; he asked the Chancellor’s Office to streamline what the Board does and make sure the reporting is robust and timely so everyone is focused on transparency and fairness – the intention is not to micromanage the decisions. Vice Chancellor Kenton indicated there will be legislative concepts for statutory changes and statutory references requiring Board approval. He indicated the goal was to get the Board out of the transaction process and more into strategy but in some cases it will require statutory change and those proposals will come before the Board in the next couple of months.
Bob Simonton continued with the remaining presentation items, being the thresholds for limits for direct procurement, formal and informal, noting that these are benchmarked with other states; he indicated that the campuses had been involved in putting this all together, to which Kenton contributed there had been multiple meetings with procurement officers, business affairs, physical plant directors, vice presidents, etc., to find the balance in all cases. Chair Blair asked Vice Chancellor Kenton to give some thought to procurement performance assessment with more delegation and accountability for the institutions and Chancellor’s Office so the Board can focus on value-added policies. Vice Chancellor Kenton indicated that annual reporting is needed and also that vendor complaints and challenges should be monitored with the goal of keeping vendor relations positive. He pointed out that the Governor has expressed a preference to “buy Oregon first” — a good policy but determining who is really based in Oregon is sometimes difficult when companies have multiple offices. He also indicated that databases are being updated for these attributes. Director Van Vliet noted that we should also be looking at whether there are complaints against vendors for goods or services — that needs to be known by all the campuses. George Marlton contributed the information that there has been a process created to disqualify a vendor from providing services and keeping those records in the Chancellor’s Office to disseminate to the campuses. Bob Simonton concurred that by creating the database and a website where all procurements are listed, each campus can query a specific vendor in making a procurement decision. Vice Chancellor Kenton said that George Marlton will be meeting regularly with purchasing managers for the purpose of exchanging information; also being considered is campuses collaborating to buy in bulk to drive down prices. Chair Blair, on that topic, wanted to know how the institutions are doing and whether benchmarks have been set to drive down costs and, thereby, encouraging the campuses to be “harvesting the procurement area as aggressively” as possible. Vice Chancellor Kenton pointed out that the campuses have been pretty aggressive and everyone has been stretching their dollars as effectively as they can. Chair Blair suggested savings targets for the procurement officers, with which Director Dyess agreed as it is standard practice today.

Director Dyess also brought up code of ethics issues and wondered whether procurement people all sign an annual code of ethics document. Vice Chancellor Kenton responded that the code is codified in the OAR and all employees are bound by that. He did not know if everyone signed a conflict of interest statement and that this is a suggested procedure to add. Director Dyess reiterated that it is standard to sign a code of ethics, routine in the private sector, and she strongly recommended this be instituted so everybody understands their responsibilities. Director Mendoza indicated at the federal government level, any award over $3,000 entered into an online database for tracking and that there is a national contractor performance rating for anything over $2,500; she suggested something similar linked to the main OUS website.

Chair Blair thanked Bob Simonton for his presentation and confirmed that Simonton would come before the Board again in February.
6. **ADJOURNMENT**

With no further business to come before the Finance and Administration Committee, Chair Blair adjourned the meeting at 9:25 a.m.