Minutes—Finance and Administration Committee

March 6, 2009

BOARD FINANCE & ADMINISTRATION COMMITTEE MEETING
BALLROOM, ALUMNI CENTER
MARCH 6, 8 – 9 A.M.

Minutes

1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Dyess called the meeting of the Board Finance and Administration Committee to order at 8:02 a.m.

Committee members present: Chair Kirby Dyess, Kirk Schueler, Tony Van Vliet. Committee members absent: Paul Kelly and John von Schlegell.

Other Board members present: Brian Fox.

Chancellor’s staff present: George Pernsteiner, Jay Kenton, Mike Green, Bob Simonton.

2. ACTION ITEMS

a. OUS, Managerial Reporting – Quarterly Management Report

DOCKET ITEM:

Attached are the quarterly management reports as of December 31, 2008. After reviewing the Budget Projections Summary received from each university and comparing prior year results, we noted the following:

Education and General – Limited: Revenue collections are projected to be 6.2 percent above 2007-08 due to a $16.4 million increase or 4.1 percent increase in state funding and a $50.1 million or 10.3 percent increase in tuition and resource fee revenues. The increase in tuition and resource fee revenues is primarily due to tuition rate increases, a 3.7 percent increase in student FTE enrollment, and the mix of student enrollment.

Revenue collections year-to-date are up 10.4 percent over the prior year due largely to distribution of state funds for the compensation plan. Spending is up 9.9 percent year-to-date above the prior year and is projected to be 9.3 percent above 2007-08 at year-end. The increase in spending is primarily due to pay raises, increased supplies and services expenses, and spending related to new targeted programs.
The ending fund balance of Education and General – Limited is projected to be $97.2 million which is $14.7 million below the prior year. The projected June 30, 2009, fund balance of Education and General – Limited is within the Board directed reserve level of 5-15 percent.

All institutions are projecting ending fund balances to be within the recommend reserve level of 5-15 percent of operating revenue; WOU’s recommend range is 10-20 percent.

**Auxiliary Enterprises:** Systemwide, Auxiliary Enterprises is projected to have total revenue of $324.7 million and expenditures of $312.0 million, resulting in $12.6 million of revenue over expenditures. Unrestricted Net Assets are projected to increase $10.9 million to $74.0 million. Please refer to the explanatory notes on the institution and Chancellor’s Office reports for additional information.

**Designated Operations, Service Departments, and Clearing Funds:** The projected ending fund balance of $32.6 million is consistent with the prior year. Please refer to the explanatory notes on the institution and Chancellor’s Office reports for additional information.

**Staff Recommendation to the Committee:**
Staff recommends that the Committee accept the Quarterly Management Report for December 31, 2008. The next management reports for the quarter ending March 31, 2009, are scheduled to be presented to the Board in May 2009.

**COMMITTEE DISCUSSION AND ACTION:**

Controller Mike Green presented the quarterly management report ending December 31, 2008. He noted that enrollment was strong and that increases are being realized at each institution, which was anticipated due to the economy. He stated, “The success in enrollment is a consequential increase in tuition and fee revenues and though it is one of the very positive indicators, it will not suffice to offset the cuts in the state general fund appropriation. This will drive fund balances down in a lot of institutions. Spending is being curtailed to absorb some of the appropriation cut this fiscal year.”

Chair Dyess called for a motion to accept the quarterly management report ending December 31, 2008. Directors Schueler and Van Vliet made the motion and seconded, respectively. Motion passed.

**b. OUS, 2009-2011 Capital Budget Technical Adjustments**

**DOCKET ITEM:**

In July 2008, the OUS Board approved the 2009-2011 capital budget request for submission to the Governor. A total of 36 Education and General projects were approved with priority given to projects that best achieved scores in seven criteria.
In December 2008, the Governor released his recommended budget, which included only 21 of the 36 projects requested, eliminating the top four University of Oregon (UO) projects. The UO has requested that the Chancellor consider several proposed changes and seek support from the Governor to make adjustments to the current budget request.

Although the repair of OUS existing facilities is clearly our top priority, we must also address program improvements and new facilities to effectively serve our growing and changing population of students. The following proposed changes are the result of several discussions with both the UO and Oregon State University (OSU) to determine how to best utilize and leverage limited state resources to achieve continued success within our academic and auxiliary programs: (See Table 1 for details)

- Phase the UO Straub Hall Deferred Maintenance Project. (Reduce state funding by $9.1 million in this session; to be funded in the next session as the top prioritized deferred maintenance project.)
- Reduce the scope of the UO Fenton Hall Deferred Maintenance Project. (Reduce state funding by $5 million. The renovation of the addition to Fenton has been determined to be a poor use of state funds and the University will pursue future funding to replace this portion of the building with an addition that better utilizes the available footprint in the heart of campus.)
- Add the UO Allen Hall Project, $7.5 million of state funding
- Add the OSU Academic Success Project, $6.608 million of state funding
- Move $5 million of Article XI-G bonds for the UO Power Plant to Lottery Bonds
- Replace $9.9 million of the $16.8 million Other Funds request for the UO Alumni Center with Article XI-F(1) bonds

Staff Recommendation to the Committee:
Staff recommends that the Board’s Finance and Administration Committee accept this report, which informs the Board of several technical adjustments that will be requested by the Chancellor to the 2009-2011 OUS Capital Budget currently before the Oregon Legislature. The proposed changes do not increase the net state funding for the OUS Capital Budget request.

COMMITTEE DISCUSSION AND ACTION:

Chair Dyess called on Bob Simonton to present the item. He indicated that in July the Board approved the 2009-2011 capital budget, which was then sent to the Governor. The Governor released his recommended budget, which didn’t include all of OUS projects. This item will change up the Governor’s recommended budget and authorize the Chancellor to make the changes that are listed in the docket.

Chair Dyess called for a motion to accept the 2009-2011 Capital Budget Technical Adjustments as noted in the docket. Directors Schueler and Van Vliet made the motion and seconded, respectively. Motion passed.
3. ADJOURNMENT

There being no further business before the Committee, the meeting was adjourned at 8:53 a.m.