Minutes

1. Call to Order/Roll Call/Welcome

Chair Schueler called the meeting to order at 1:02 p.m.

Committee members present included Chair Kirk Schueler and Directors Lynda Ciuffetti, Allyn Ford, and Farbodd Ganjifard (1:06) attended via telephone.

Chancellor’s Staff present included Vice Chancellors Sona Andrews and Jay Kenton (via telephone), Doug Botkin, Bridget Burns, Michael Green, Ryan Hagemann, Karen Levear, Jan Lewis, Di Saunders, Patricia Snopkowski, Marcia Stuart, Charles Triplett, and Alice Wiewel.

Others present included President Mark Weiss (PSU); Vice Presidents Craig Morris, and Frances Dyke, Mark McCambridge, Lon Whitaker (EOU), and Mary Ann Zemke (OIT) via telephone; Dee Wendler (PSU), and Emma Kallaway (OSA) were also present.

2. Action Items

a. OUS, Managerial Reporting—Quarterly Management Report

Chair Schueler called upon Associate Vice Chancellor and Controller Michael Green to present the item. Controller Green reported on the individual campuses. In hearing the report on Eastern, Chair Schueler referred to a letter submitted by President Davies concerning their fund balance and the anticipated actions that will be taken at Eastern to address this deficit.

Regarding Southern Oregon University’s report, Vice President Morris indicated that, although the enrollment increase is strong for this year, it is still less than anticipated and the nonresident enrollment has also decreased; these decreases have affected the forecasted tuition revenue. They will be addressing the issue by freezing hiring, capping services and supplies spending, among other things. At the end of the biennium, they anticipate a 1 percent fund balance; therefore, the president will be engaging the campus in dialogue concerning ways for the campus to save monies. SOU is going forward with pay increases for the three employee categories (faculty and classified and unclassified staff); this is to restore their salaries and layering on the compensation packages comparable to the SEIU compensation package. If the holdback is realized, their fund balance could be at 4 percent. Chair Schueler asked that Southern return to the Committee in the spring with a financial update.
Chair Schueler noted that the theme of the report seems to be reductions in fund balance for the year, with the exception of the University of Oregon and spending of the MOE monies seems to contribute to the reduction. Controller Green noted that 75 percent of the campus expenditures are in the category of personnel services (salaries and benefits). Director Ford pointed out the decreases in enrollments have also contributed to these reductions as budgets are developed with forecasted enrollments. At Portland State University, this decrease has been attributed to a change in enrollment mix.

**Action:** Following the presentation and discussion, Chair Schueler called for a motion to accept the report. Directors Ford and Ciuffetti made and seconded the motion, respectively. Motion passed.

b. **OUS, Report on Investments—As of September 30, 2011**

Karen Levear noted that the investments have been down for this quarter. Despite the large changes in dollar values, the asset allocations are still good and adjustments are not needed. For the prior fiscal year, even though the endowment pool declined, it still out-performed other Ivy League university funds. Although the OUS fund increased, it still underperformed its peer portfolios.

**Action:** Following the presentation and discussion, Chair Schueler called for a motion to accept the report. Directors Ciuffetti and Ganjifard made the motion and seconded. Motion passed.

c. **Fiscal Status of Intercollegiate Athletics as of June 30, 2011**

Prior to presenting the report, Controller Green emphasized that, although fiscal status of intercollegiate athletics has been reviewed by the Board for the past two decades, the athletics departments are only one department on the campus and asked that the Committee provide advice as to continued reports.

Schueler asked if the Internal Audit Division monitors campus compliance to Board directives on intercollegiate athletics. Controller Green noted that the Controller’s Division does not monitor compliance. Patricia Snopkowski and Ryan Hagemann advised substantial review of IMDs and policies to assure the appropriateness of these policies and procedures. Mr. Green also recommended a review of compliance to Title IX and NCAA policies.

Returning to the intercollegiate athletic report, Mr. Green noted that season ticket sales provided a substantial increase in revenues at the University of Oregon. However, the accounting procedures have changed; in the prior fiscal year, the football ticket sales were reported at the end of the fiscal year. Beginning FY2012, these ticket sales will be reported each week. Mark McCambridge, OSU, added that the PAC-12 television agreement distributes revenue equally among all of the System campuses.
Action: Following the presentation and discussion, Chair Schueler called for a motion to accept the report. Directors Ford and Ciuffetti made the motion and seconded, respectively. Motion passed.

d. Initial Guidance to Campuses for Tuition Rates for the Academic Year 2012-13 and Summer Term 2013—Revised

Assistant Vice Chancellor for Budget Planning Jan Lewis reported on the item. She indicated that subsequent to feedback from the student associations, it was clear that the initial inclusion of student participation access in the policy should be postponed until an agreement could be reached. However, the guidance continues to include the legislative budget note that established student participation in the tuition setting process. Emma Kallaway, OSA, expressed the OSA’s appreciation that their feedback was taken into account; however, she clarified that there are two recommendations to include student involvement in the budget process and access to the legislature and that no proscribed process would be imposed on the individual campuses. It was stressed that the Governance & Policy Committee will be addressing this issue prior to the next step.

Action: Following the presentation and discussion, Chair Schueler called for a motion to approve the:

1) The initial guidance to campuses for tuition rates for the AY2012-13 and Summer Term 2013 with Chancellor or designated staff permitted to revise submittal deadlines as necessary. Directors Allyn Ford and Lynda Ciuffetti moved and seconded, respectively. Motion passed.

2) Consider delegating the setting of resident hall room and board rates to the campuses and, if no additional information is required, approve such delegation as presented in Attachment C. Directors Allyn Ford and Lynda Ciuffetti moved and seconded, respectively. Motion passed.

e. OUS Incentive Funding for 2010-11

Chair Schueler called upon Vice Chancellor Sona Andrews to present the item. She provided background to the proposal and advised that the Provosts’ Council had proposed that $6 million be allocated for degrees awarded (one-half for the number of graduate and undergraduates and one-half for underrepresented minority and rural Oregonians). Rural Oregonian enrollment is defined by county of residence and that 26 of the 36 counties in Oregon are designated as “rural.” Director Ford noted that the rural enrollment appears to favor OIT and EOU; Andrews agreed but noted that these percentages even out.

Action: Following the presentation and discussion, Chair Schueler called for a motion to approve the proposed allocation. Directors Farbodd Ganjifard and Allyn Ford made and seconded the motion, respectively. Motion passed.
f. OUS, Policy on Legal Services and the IMD on Legal Review of Agreements and Documents

Chair Schueler called upon Mr. Ryan Hagemann, Legal Counsel, to present the items for consideration. Hagemann advised that this is the first step in the implementation of Senate Bill 242 and will be reviewed over the next three years. As of January 2012, the System will no longer be subject to Oregon Revised Statute 291; however, to demonstrate transparency to state and constituents, this policy will continue to seek legal advice/sufficiency but that legal approval is not mandated. An example of issues requiring legal review would be high-profile employee contracts. Two major changes or “catch-alls” to prevent or reduce risk were included: a money threshold and the ability to have internal processes on the campus manage risk.

**Action:** Following the presentation and discussion, Chair Schueler called for a motion to approve the Internal Management Directive on legal review of agreements and documents and the policy on legal services. Directors Farbodd Ganjifard and Allyn Ford made the motion and second, respectively. Motion passed.

3. Discussion Items

a. New State Budget Process

Chair Schueler called upon Jan Lewis to provide information pertaining to the new state budgeting process that was initiated by the Department of Administrative Services in conjunction with the Governor’s “10 Year Plan for Oregon.”

She observed that there were unknowns at this time, which include the handling of debt service, outcome-based approach (similar to the performance compact concept established in SB 242), timelines not aligning with current Board meeting schedule, and the effect on the establishment of annual tuition and fee rates. To date, the first step of mapping the agencies with ‘buying teams’ has been conducted. While OUS has been assigned to the education buying team, the Statewide Public Services may be alternatively or additionally assigned to the jobs.

Controller Green recommended calling upon Alice Wiewel to advise the Committee on the capital budgeting process. Ms. Wiewel noted that one major change is that the legislature has required the submission of a 10-year capital plan rather than the 6-year plan required in past biennia. Under this plan, a survey of facility capacity will be conducted that includes both classroom and research capacity and enrollment projected-need. Aligning these two will reflect two areas of resource—facility and financial needs. Two projects will be resubmitted in February for legislative approval. She went on to note that other states negotiate with their legislature for an agreement to fund a 5-year capital plan, which provides stability in capital funding that is not provided under Oregon’s current 2-year capital budgeting format. Given other changes under SB 242 and the change in the operating budget process, she put forth the recommendation to begin the discussion of moving toward a different capital budgeting process. Chair Schueler opined that the goal of achieving 40-40-20 would be to promote the
transition to a new capital budget process in order to initiate or ramp-up agency capital project plans.

b. New Operating and Capital Accountability Framework

Chair Schueler called upon Controller Green to present the item. He outlined the conceptual framework upon which the proposed operating and capital accountability processes were developed and then walked the Committee through the proposed operating budget process. Chair Schueler noted, in response to Green’s question as to the level of detail needed, that high-level summary detail is sufficient to meet established policies (fund balance, tuition, etc.) rather than on a transactional/detail level. Director Ford agreed and pointed out that the role of the Committee is to be engaged in policy-level role and strategic issues rather than the “how” level of minutiae. The Committee charter establishes that one of its roles of is to approve the System budgets and that measured outcomes are applied and campus compliance during the biennia assured positive outcomes.

One recommendation is to broaden the measurement standards for financial health; to inform whether or not capital plans can be achieved. This will include primary reserve ratio, viability ratio, return on net assets ratio, and net operating revenues ratio. Although the E&G fund balance measure has been useful, an expanded view of financial health is recommended. Fiduciary and strategic roles must both be filled by the Committee.

The next step will be to develop new ways to present the budget proposals so as to provide the Committee with the information they need to make decisions. PSU Associate Vice President Dee Wendler recommended that the campus budget and business officers be involved in the development of a new budget process.

Under the proposed capital budget process, it was noted that the budget will include all capital projects, repairs, and improvements and will be included in a 10-year capital plan rather than a 6-year capital plan. One major change would be to report to the Committee on the status, scope, and progress of approved capital projects. Director Ford recommended consideration of including project-size thresholds for Board approval requirement; Chair Schueler added that this would apply to individual project requests but not to the 10-year capital plan and could be presented in a “dashboard” presentation manner.

Next steps will be to bring report examples and budgeting process framework to the Committee for discussion. Green noted that new tools may be needed in order to accomplish these new budget forecasting and processes.

4. Information Item

a. Reduction Options to be Provided to Legislative Fiscal Office
In response to a request from the Legislative Fiscal Office, Director Lewis provided the Committee with projected reduction scenarios.

5. Adjournment

With no further business proposed, Chair Schueler adjourned the meeting at 4:32 p.m.