1. Call to Order/Roll Call/Welcome ................................................................. 1
2. Consent Item ............................................................................................................. 1
   a. Approval of Minutes, September 2013 ................................................................. 1
3. Action Items .............................................................................................................. 1
   a. OUS, Managerial Reporting – Quarterly Management Report ......................... 1
   b. OUS, Report on Investments – As of June 30, 2013 .............................................. 2
   c. OUS Risk Pool FY2013 Year-End Quarterly Report ............................................. 2
   d. OUS Internal Audit Division, Quarterly Progress Report October 2013 .......... 3
   e. OUS, Resolution for the Sale of Article XI-F(1) Bonds ....................................... 4
   f. 2013 Special Legislative Session – Tuition Buy Down ........................................ 5
   g. Review of Proposed Capital Project Requests for February 2014 Legislative
      Session .................................................................................................................. 5
4. Discussion Item .......................................................................................................... 6
   a. Campus Process for Tuition Recommendations for the Academic Year 2014-15
      and Summer Term 2015 .......................................................................................... 6
5. Adjournment .............................................................................................................. 6
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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: Vice Chancellor Jay Kenton, Pieter Bezuidenhout, Michael Green, Ellen Holland, Karen Levear, Jan Lewis, Melody Rose, Patricia Snopkowski, 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 10:02 a.m. and asked the secretary to take the roll. At the recommendation of the Board president, Director Brittany Kenison was appointed to the Committee; Chair Schueler welcomed her.

2. **CONSENT ITEM**

   a. **Approval of Minutes, September 2013**

      **ACTION:** Chair Schueler called for a motion to approve the September 2013 minutes. Directors Lynda Ciuffetti and Orcilia Forbes made the motion and second, respectively. Motion carried.

3. **ACTION ITEMS**

   a. **OUS, Managerial Reporting – Quarterly Management Report**

      Chair Schueler called upon Controller Mike Green to provide the fourth quarter financial report for the System universities and Chancellor’s Office, noting that the report compared the fourth quarter ending fund balances to the prior adjusted budget. Southern Oregon University’s ending fund balance was impacted by lower enrollment, a change in the amount of summer revenues, and a shift in student mix, ending at 2.1% (E&G) compared to 6.6% in the adjusted budget. In response, Vice President Morris commented that SOU is in the process of developing a plan to increase their fund balance to the Board’s policy level of 5% by the close of the
biennium and 10%-plus by close of 2015-2017. This plan will be included in SOU’s business plan, to be presented to the University Governance Work Group in November. With the University of Oregon’s report, as a follow-up to previous discussions on the planned use of fund balances for faculty hiring, Vice President Moffitt advised that the UO is currently aggressively pursuing the hiring of faculty. However, as a result of employee concerns with anticipated impacts of the recently proposed PERS changes, the campus has experienced a number of early retirements, thereby affecting the net impact to their hiring of faculty to new positions.

**ACTION:** Chair Schueler called for a motion to approve the quarterly management report. Directors Farbod Ganjifard and Brittany Kenison made the motion and second, respectively. Motion carried.

b. **OUS, Report on Investments – As of June 30, 2013**

Chair Schueler called upon Karen Levear, director of Treasury Operations, to present the quarterly investment report. Two additional reports provided, the Annual Activity Report and the Investment Policy Performance Review (IPPR) are prepared annually to ensure transparency and accountability for the invested funds and to summarize key metrics for the portfolio. The IPPR indicated that the overall performance of the endowment fund exceeded its performance targets for the three-year returns but not for the five-year returns. The Columbia Acorn fund underperformed the Russell 2500 on both a three- and five-year basis; however, the State Treasury advised that all funds of this type have been underperforming against their benchmarks but Treasury “has a strong conviction in this particular fund manager.” The restructuring of hard assets, such as real estate, and short-term bonds has been halted, given the passage of Senate Bill 270. A recent legal opinion stated that the gifts in the campus endowments should be transferred to the institutions for management unless prohibited by the gift itself. The three large universities comprise 90% of this portfolio; therefore, the Controller’s Division is working with State Treasury on a transition plan. Each gift is under review to ensure that it qualifies for transfer and a new investment policy will be developed for the remaining endowment fund, which will be about $7 million in total size following the transitions.

**ACTION:** Following a brief discussion period, Chair Schueler called for a motion to approve the report on investments as presented. Directors Orcilia Forbes and Farbod Ganjifard made the motion and second, respectively. Motion carried.

c. **OUS Risk Pool FY2013 Year-End Quarterly Report**

Ms. Ellen Holland, chief risk officer, provided the Fiscal Year 2013 year-end quarterly report. Noting that this was the first risk management annual report, the report covered the three risk strategies initially developed: 1) to embed a risk culture on each campus, 2) enhance coverage and value to campuses, and 3) provide a sustainable program of risk management. Several motions for summary judgment were filed during the year and management controls have been put in place to mitigate claims. Coverage and associated exposures have been reviewed; for example, property coverage was obtained through FM Global, who, with enhanced engineering efforts, engaged in an assessment of System property values. Quotes have been
received for network security and pollution coverage and an assessment will be conducted with
the participation of the vice presidents for finance and the Risk Oversight Committee. The Risk
Management Information Center has been fully implemented, providing a one-stop source to
claims management and monthly reports for use by general counsels, vice presidents for
finance, and risk managers. Allocation actuaries for FY 2014-15 and continued work with loss-
control in terms of policies and procedures are currently under development. At a future
meeting, a more in-depth campus-by-campus report covering frequency/severity by claim-type
will be provided to the Committee.

Three services were mandated for continued central provision through June 2015: employee
benefits, labor relations for statewide bargaining units, and risk management. Beyond that
date, the provision of these services is yet to be determined.

The Committee congratulated Ms. Holland on receiving, at the recent national convention of
the University Risk Management and Insurance Association, the URMIA Distinguished Risk
Manager award.

**ACTION:** Chair Schueler called for a motion to approve the risk pool Fiscal Year 2013
year-end quarterly report. Directors Lynda Ciuffetti and Orcilia Forbes made the motion
and second, respectively. Motion carried.

d. **OUS Internal Audit Division, Quarterly Progress Report October 2013**

Ms. Patricia Snopkowski, chief audit executive, and Mr. Pieter Bezuidenhout, associate IT audit
director, presented the report. Highlights included: PSU’s athletics department’s development
and implementation of a compliance program; successful restructuring of the finance and
accounting service team by PSU Vice President Rimai; and University of Oregon payroll
practices audit within two research institutes resulting in $330,000 repaid to federal agencies,
the replacement of key staff, and the retraining of grant managers, payroll officials, and
professors on proper policies and procedures for accounting for federal grant payments and
employee hours. Mr. Bezuidenhout provided an overview of the IT audit, advising that the Chief
Information Officers and department heads of colleges in the universities that have distributed
IT were consulted, thereby identifying and assigning risk levels to those auditable units. Based
on this risk assessment, the level of risk assigned will determine the frequency of follow-up
audits; however, no units were rated “severe.”

Ms. Snopkowski advised that over the next nine months, the IAD will be working on an
implementation plan that will transition the audit responsibilities for OSU, PSU, and the UO
from IAD to the respective campus’ Chief Audit Executive. A tentative IT audit schedule for
these nine months has been developed.

Ms. Snopkowski advised that follow-up reviews were conducted to determine the progress of
management toward implementing the recommendations set forth during the last audit cycle
and Chair Schueler commended the campuses for the high compliance levels associated with
the audits.
In conclusion, the current status of the IAD audit plan for 2013-14 was reviewed, noting completed audits and those that remain to be conducted. At the request of grant principal investigators at OSU and PSU, close out reviews will be conducted at those research departments and a Request for Proposal to select a CPA firm is currently underway to conduct these reviews.

**ACTION:** Chair Schueler called for a motion to approve the internal audit progress report. Directors Ganjifard and Ciuffetti made the motion and second, respectively. Motion carried.

e. OUS, Resolution for the Sale of Article XI-F(1) Bonds

Ms. Levear provided background, advising that it is anticipated that bonds will be sold for nine separate capital projects. In order to approve the sale of those bonds, an official determination that sufficient constitutional authority exists to support the sale and that the bonds comply with the Board’s policy on debt. As the System has available revenues of $1.9 billion, which easily exceeds the System’s estimated future debt service, including annual incremental project operating expenses of $94 million, the constitutional test has been met.

**ACTION:** Chair Schueler called for a motion to find that the proposed sale of Article XI-F(1) bonds met the legal requirements of the Oregon Constitution with respect to legal authority and meeting the “Constitutional Test”; Directors Ciuffetti and Ganjifard made the motion and second, respectively. Motion carried.

With respect to the bond compliance of the Board’s policy on debt, Ms. Levear advised that the policy establishes debt burden ratios to be less than 7% and that compliance is met as all campuses are within the policy limit.

**ACTION:** Chair Schueler called for a motion that finds the proposed capital projects funded with Article XI-F(1) bonds met the requirements described in the Board’s Policy on Debt with respect to financial viability and that the resulting debt burden ratios for each institution comply with Board policy based on the provided analysis; Directors Ciuffetti and Forbes made the motion and second, respectively. Motion carried.

Ms. Levear then highlighted each campus project. For projects funded from student building fee pool, a determination of future adequacy of the pool to cover the debt obligations was conducted, with forecasting over the life of all student building fee pool-funded projects provided. The forecast showed that the current year’s debt service coverage is 1.7 times and that the lowest debt coverage occurs in 2026 when it reaches 1.2 times; however, the ratio recovers in 2032 when significant amounts of existing debt are retired.

**ACTION:** Following discussion, Chair Schueler called for a motion to adopt a resolution authorizing the sale of new Article XI-F(1) bonds to fund the projects in revised Table A as provided in the addendum to the resolution, based upon estimates that sufficient
revenues exist to pay the debt service of the XI-F(1) bonds and operate the projects financed with the XI-F(1) bonds, without considering any amounts appropriated by the legislative assembly from the State’s General Fund. Directors Forbes and Ganjifard made the motion and second, respectively; motion carried.

f. 2013 Special Legislative Session – Tuition Buy Down

Ms. Jan Lewis, Assistant Vice Chancellor for Budget, advised that the recent special legislative session appropriated an additional $25 million of state general fund for the 2013-2015 biennium for the purposes of buying down tuition and fee increases. It was noted that the additional funding is nonrecurring and not guaranteed in subsequent biennia. Lewis referred members to the legislative budget note that accompanied the additional funding and noted the legislative intent to reduce the average 3.5% increase in Fall 2014 to 2% in Winter and Spring terms. This results in a 2.5% annual average increase over AY2012-13. The legislature also directed no tuition increases for resident undergraduates in AY2014-15. Vice presidents expressed their concern with the compounded impact to students and the campuses if the funding is not continued following the 2013-2015 biennium.

ACTION: Following a robust discussion, Chair Schueller called for a motion to recommend the rates proposed in Table 1 to the full Board for approval and subject to Board approval of the revised rates, and approve the allocation of additional General Fund as reflected in Table 4 of the docket. Directors Forbes and Ciuffetti made the motion and second, respectively. Motion carried.

g. Review of Proposed Capital Project Requests for February 2014 Legislative Session

Vice Chancellor Kenton provided background on the proposed 2014 capital project request and advised that PSU amended their request as presented in the docket to modify the project funding structure. He then called upon the campuses to describe their proposed projects (as listed below in priority order):

1. SOU McNeal Hall Seismic and Deferred Maintenance Upgrade, $21,875,000
2. Oregon Tech Utility Tunnel Failure and Repair, $1 million
3. WOU Oregon Military Academic Building Acquisition (Phase-1), $5.00 to $8 million
4. PSU Graduate School of Education, $20 million
5. WOU College of Education Supplemental Funding, $1.4 million

Vice President Moffitt, UO, expressed concern that the campuses were not given sufficient guidance as to projects that could have been put forward for consideration and asked that additional time be given for review and submission of projects. Dr. Rose advised that, in consultation with various legislators regarding the tenor within the Capitol for capital projects, there was some receptivity to small, safety-based projects; however, in general, there is little support for significant capital requests.
As a result of the frank and open discussion, this item was deferred to accommodate the review and recommendation of additional proposed projects.

**Next Steps:** Campus vice presidents for finance and administration to review and submit additional capital projects to Vice Chancellor Kenton for possible inclusion. A prioritized list will then be submitted to the Committee at the November meeting for consideration.

4. **Discussion Item**

a. **Campus Process for Tuition Recommendations for the Academic Year 2014-15 and Summer Term 2015**

Assistant Vice Chancellor Jan Lewis described the process recommendation proposed. A continuation of the student participation processes and a compliance of tuition rates with the legislative budget note were assumed. Within the campus tuition proposals, the Technical and Regional Universities that remain within the System were requested to provide information as to how the proposed rates align with the 5-year business plans currently under development and the campuses that will be governed by institutional boards would provide an acknowledgement of support by those boards of the proposed rates. With the changes in governance, she advised that the campus budget directors discussed the issuance of four fee books following the 2014-15 academic year. It was noted that, as a result of SB 270, campuses will no longer be required to adhere to rulemaking requirements.

5. **Adjournment**

In final comments, Dr. Kenton advised of the successful resolution to the bargaining process with SEIU and thanked Mr. Brian Caufield for his leadership in the settlement. With no further business proposed, the meeting was adjourned at 2:10 p.m.