Oregon State Board of Higher Education

Finance & Administration Committee
February 21, 2014
9:00 a.m.—1:30 p.m.
Boardroom (ASRC 515), 1800 SW 6th Ave, Portland, Oregon

MINUTES

Committee members present included: Chair Kirk Schueler, Lynda Ciuffetti, Allyn Ford, Orcilia Forbes (phone), and Brittany Kenison. Committee members absent: Farbod Ganjifard.

Other Board members present: David Yaden

Chancellor’s Office staff present included: Chancellor Melody Rose, Diana Barkelew, Kathy Berg, Penny Burgess, Brian Fox, Mike Green, Ellen Holland, Marcia Stuart, and Charles Triplett.

Others present included: President Bob Davies (EOU), Vice Presidents Jim Klein (SOU-phone), Jamie Moffitt (UO), Lara Moore (EOU), and Craig Morris (SOU), Monica Rimai (PSU), Eric Yanke (WOU), MaryAnn Zemke (OIT).

Guests: Bill McGee

1. CALL TO ORDER/ROLL CALL/WELCOME

Chair Schueler called the meeting to order at 9:03 a.m. and asked the Secretary to take the roll.

2. CONSENT ITEM

a. Approval of January Minutes

Chair Schueler asked if there were proposed changes to the minutes and Interim Controller Barkelew noted a change at the bottom of the page. An IT audit of the universities was conducted by CLA which reported that each campus noted no significant deficiencies or material weaknesses found.

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

3. DISCUSSION ITEMS

a. SOU, Preliminary Retrenchment Plan

Committee Discussion

Chair Schueler called upon Vice President Craig Morris to provide an update to the Committee on the plans for retrenchment at Southern Oregon University. Vice President Morris noted that since the
Executive Session with the Board, SOU had expanded the retrenchment range from $3.3 million to $7 million. He continued, “Regarding campus climate, we’re in the middle of this 20 day comment period and there is considerable energy on campus around the retrenchment plan and concern by the faculty especially about how deeply the cuts could be in faculty lines and in academic programs. And there’s a great reluctance on the part of the faculty to accept that the provisional plan and ultimately the final plan is something that the institution should really move to. Their concerns run to the extent that last week at Faculty Senate, they voted to instruct their Elections Committee to hold a faculty vote of confidence or no confidence in the president, the provost and myself. So there is much consideration and conversation going on amongst the faculty and whether we have a vote of confidence or no confidence, we’ll know probably sometime next week or so. It requires two-thirds of the faculty to register a no confidence vote. They will be writing to the Board asking for the removal of the president if there is a no confidence vote. For the provost or myself, they will be writing to the president and asking for the provost and/or myself to be removed from our positions. So, that just gives you a sense of the angst that is going on on our campus right now. And the considerable push back around facing some of the fiscal realities that we have discussed for some time about SOU.” He provided information regarding the timeline, noting that final plan needs to be finished by March 11 or 12. It will then go to the Chancellor for 24 or 48 hours for her final review of that plan and then it will be released. He explained that the collective bargaining agreement stated that if notices to faculty are to be issued, to recoup savings in the next fiscal year, 12 months’ notice must be given so it must be given on March 13.

Chair Schueler called upon the Committee to provide comments on Southern’s retrenchment plan. Committee discussion followed.

b. EOU, Fiscal Planning Update

Chair Schueler called upon President Bob Davies to provide an update on Eastern Oregon’s fiscal planning. President Davies pointed out that Eastern Oregon University, by definition, is a financially distressed university. He observed that EOU had increased its student enrollment by 22% but that state funding per student had declined by around 30%. Turning to fund balance, he shared that over the last decade, EOU had fluctuated between the 5% to 10% fund balance at the end of the year. This last year, EOU dropped below 5%. He indicated that, “We immediately instituted a financial restructuring at the end of the last academic year. Many of those reductions, as in the case in previous reductions to save costs, have focused in on the administrative side. Over the last five years, we have decreased a number of administrative positions by around 15%.” EOU has initiated a task force called the academic future’s task force that is looking at what should Eastern look like academically in the future. He went on to list several areas in which EOU has taken action to reduce costs and increase revenue.

Chair Schueler called upon the Committee to provide comments on Eastern’s fiscal planning. Committee discussion followed.

c. Retrenchment Timeline, Metrics, and Benchmarks

Brian Fox shared with the Committee that the purpose is to facilitate consultation from the campuses that are in retrenchment or may move into a reduction scenario between the Chancellor’s Office and the institution and the Board and the institution and then scheduling specific kinds of check-in times
throughout the process. He explained that the first piece is to know whether or not the number of check-ins is the right amount and with whom the check-in should be? The second piece is the key operational metrics that will provide a forward looking view for the Chancellor’s Office, for the campus and for the Board. The final piece is structured benchmarks that will come to the Finance and Administration Committee or to the full Board at regular intervals.

Committee discussion followed.

d. Financial Analysis of AGB Multi-Campus System and Multi-Campus University Reports

Jay Kenton reported that the Association of Governing Boards was asked to evaluate three different governance possibilities for the TRU campuses. One was affiliation as a branch campus. The other two were a multi-campus system or a multi-campus university. Dr. Kenton discussed the financial analysis of the two latter governance scenarios. (Full analysis report can be found on the OUS website at http://ous.edu/files/state_board/meeting/dockets/ddoc140221-agb_analysis.pdf). A full and frank discussion of the analysis followed with questions centering on if money would be saved and what the obstacles would be.

Chancellor Rose reminded the Committee that the AGB report provided several models and the Chancellor’s Office was asked to run numbers on only two. She suggested that the F&A Committee pass along these reports to the work group for additional resources in their deliberations.

4. Action Items

a. OUS, Managerial Reporting—Quarterly Management Report

Diana Barkelew, OUS interim Controller, provided the quarterly management report as of December 31, 2013. She noted that for combined OUS, revenues and expenditures are predicted to increase compared to last year by 6% and 3% respectively. The state general fund revenue is projected to be 6% more than the prior year. The net tuition resources are projected to increase 6% over the fiscal year 2013. Ms. Barkelew then shared the individual campus reports.

ACTION: Chair Schueler called for a motion to accept the December 31, 2013, Quarterly Management Report. Directors Allyn Ford and Lynda Ciuffetti made the motion and seconded, respectively. Motion passed.

b. OUS, Report on Investments – As of December 31, 2013

Penny Burgess, Interim Director of Treasury, presented the quarterly report for the investment pools ending December 31st, 2013. She related that equities had a stellar run, posting a 10.5% return during the period and a 32.4% return for all of 2013. The fixed income of the bond indices posted negative returns for the period as well as during 2013. She observed that “supported by the strong equity run, the higher education endowment fund returned 5.9% during the period.” She reminded the Committee that Senate Bill 270 requires that the state return funds that are held or managed for the benefit of the soon to be independent universities. As a result, staff is working with each one of these universities and the state treasury to develop a plan to transfer these monies after June 30, 2014. The remaining 10% of
this fund, about $7.5 million, based on the market value in December, will continue to be managed by state treasury.

**ACTION:** Chair Schueler called for a motion to accept the investment report for the second quarter of FY2014. Directors Lynda Ciuffetti and Orcilia Forbes made the motion and seconded, respectively. Motion passed.

c. **Internal Audit Progress Report**

Kathy Berg, Interim Executive Officer, summarized the 2013 internal audit progress report and then presented the 2014 calendar year audit plan. She stated that all audits will be completed by June 30, 2015. She concluded by reporting on the audit plan for calendar year 2014.

**ACTION:** Chair Schueler called for a motion to approve the Internal Audit 2013 Final Progress Report and 2014 Annual Audit Plan. Directors Allyn Ford and Brittany Kenison moved and seconded, respectively. Motion passed.

d. **OUS, Risk Management Quarterly Report as of December 31, 2013**

Ellen Holland, Chief Risk Officer, presented the quarterly risk management report as of December 31, 2013. HOLLAND: She expressed that risk management is focusing on providing higher education focus and specific types of insurance coverage while also minimizing claims through proper risk controls.

**ACTION:** Chair Schueler called for a motion to accept this report. Directors Lynda Ciuffetti and Allyn Ford made the motion and seconded, respectively. Motion passed.

5. **REPORT ITEM**

a. **Legislative Update**

Chancellor Rose updated the Committee on the legislature, noting that there are disagreements between the chambers and between the parties so there was little to report. She continued, “In terms of capital, I can be more specific. The best news or most accurate, most recent news out of Salem about our capital request is that the top three requests are gaining a lot of favor in traction and I’m hearing a lot of support for those top three projects.”

6. **ADJOURNMENT**

There being no further business before the Committee, Chair Schuler adjourned the meeting at 1:44 p.m.