STATE BOARD OF HIGHER EDUCATION
MINUTES OF MEETING HELD AT
BOARD OF CONTROL ROOM, SALEM, OREGON,
August 3, 1951, at 10:30 A.M.

MEETING #204  Pursuant to a written request for a special meeting dated July 23, 1951, and signed by eight members of the Board, the State Board of Higher Education convened in a special meeting at the State Board of Control Room in the State Capitol, Salem, Oregon.

ROLL CALL
The meeting was called to order at 10:40 A.M. by the Vice-President Dr. R. E. Kleinsorge, and on roll call the following answered present:

Henry F. Cabell  A. S. Grant
George F. Chambers  Cheryl S. MacNaughton
Leif S. Finseth  Frank J. Van Dyke
R. E. Kleinsorge

Absent: Edgar W. Smith and Herman Oliver.

There were also present: Dr. Charles D. Byrne, Chancellor; President H. K. Newburn of the University of Oregon; Mr. H. A. Bork, Comptroller; Mr. John L. Watson, Assistant Comptroller; Mr. Travis Cross, Director of Information, and Mr. J. O. Lindstrom, Business Manager of the University of Oregon.

Also present for the part of the meeting during which general obligation bonds were discussed were Governor Douglas McKay, State Treasurer Walter J. Pearson, and Deputy State Treasurer Fred H. Paulus.

GENERAL OBLIGATION BONDS
Chancellor Byrne was called upon by the Chairman to introduce the matter of the sale of general obligation bonds and made the following statement:

"In accordance with the letter issuing the call for the special meeting, there is before the Board for consideration today the issuing of general obligation bonds to refund the following outstanding issues of revenue bonds:

<table>
<thead>
<tr>
<th>Description</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women's Dormitory, OSC</td>
<td>2 3/4</td>
<td>$1,140,000</td>
</tr>
<tr>
<td>Coliseum, OSC</td>
<td>3 1/2 - 3 1/2 - 3 3/4</td>
<td>2,040,000</td>
</tr>
<tr>
<td>Women's Dormitory, U of O</td>
<td>2 3/4 - 3</td>
<td>1,516,000</td>
</tr>
<tr>
<td>Union Building, U of O</td>
<td>3 1/8 - 3 1/2 - 3 1/4</td>
<td>1,600,000</td>
</tr>
<tr>
<td>Total Refunding</td>
<td></td>
<td>$6,796,000</td>
</tr>
</tbody>
</table>

"It is also proposed to issue an additional $20,000,000 for the purpose of building a dormitory addition at Southern Oregon College of Education. The amount of the proposed issue, therefore, is $7,000,000. There has been placed in your hands a schedule of principal and interest payments, showing the sources of income to cover the bond servicing charges over the 25 1/2 year period. Funds for these payments will be derived from such sources as the student building fee, and dormitory and other miscellaneous income. It is
contemplated that these revenues will be ample so that no state levy will ever be necessary.

"You will recall that the issuance of general obligation bonds in lieu of special revenue bonds was authorized by the vote of the people last fall and that the 1951 Legislature passed an act implementing this constitutional amendment, setting an upper limit of $8,000,000 in bonds to be issued at the present time. The upper limit by constitutional amendment approximates $12,000,000.

"There has been received from the State Industrial Accident Commission an offer to purchase this $7,000,000 issue at par with an interest rate of 2.1 per cent, the bonds to be callable within one year at par. If the Board decides to accept this offer, it will mean a saving of approximately $1,500,000 in interest over the life of the bonds. There has been some discussion of cutting the call date to six months.

"While it is possible that a commercial sale of this issue might result in a lower interest rate, such a sale would undoubtedly require that the bonds cannot be called for about eight years. The proposal before you to sell to the State Industrial Accident Commission makes it possible to call the bonds within a one-year period. The advantage of this early call privilege would make it possible for the Board to be in a position to again refinance in the event that interest rates dropped perceptibly any time within an eight-year period. This would not be possible if the sale was made to commercial bond houses. The plan of interdepartmental loaning also has the advantage of substantial savings in bond printing costs and other overhead expense."

In the general discussion which followed, Mr. Henry F. Cabell, Chairman of the Finance Committee, summed up the situation noting that there were numerous advantages in a sale to the Industrial Accident Commission including the saving of substantial printing costs, the avoidance of expensive transcripts and other preliminaries connected with a commercial sale, the simplicity of the transaction which is important because of the relatively short time in which to effect the refunding, the desirability of cooperating with another arm of the state, and the material advantage of the call date of a year or six months which the state would permit. The only disadvantage appeared to be the question of possibly obtaining a lower rate of interest at private sale than the 2.1% offered by the state.

Mr. Cabell stated that he would favor sale to the state, considering the present market instability and the possibility of refunding after six months or a year if more favorable interest rates prevail.

Mr. H. A. Bork, Comptroller, commented that he had explored the problem and felt sale to the state at this time was advisable. He stated that at the present time outstanding State of Oregon bonds sell at approximately 1.7% and 1.8% but that there is no guarantee that a commercial sale of the bonds under discussion would bring the same rate at the present time. He called attention to the fact that a commercial sale would tie up the bonds for six or eight years at whatever interest rate was agreed upon and felt that with the present instability of the market, it would be advantageous to have the bonds
callable in six months or a year to permit possible refunding at a
dlower rate if rates should drop appreciably. There is, of course,
the possibility that there will be no drop in rates for the next
several years, and in that event the Board might be criticized,
but that is a risk that must be faced.

Mr. Fred H. Paulus, Deputy State Treasurer, was asked to comment on
the proposed sale. He stated that he had been observing the bond
market very closely and he outlined recent fluctuations indicating
the present instability. He estimated that a commercial sale at
the present time might offer 1.9% interest, but doubted that a rate
lower than that could be obtained. He pointed out that if the
entire issue were owned by the state, the debt could be amortized
and paid off on a monthly basis, or some of the bonds could be
retired periodically, while if the bonds were in private hands it
would probably be necessary to offer a premium to retire them
before the call date which would be six or eight years. He felt
that while it is difficult to predict the future trend, it seemed
to him to be advantageous to let the state take the bonds at 2.1%
now and to refund the issue six months or a year from now if better
rates are then available.

Governor McKay and Mr. Pearson, who are members of the bond
commission, indicated that they would recommend making the bonds
callable in six months.

In response to questions by Mr. Grant and Mr. Van Dyke, it was
explained that essentially the revenues pledged would be building
fees and dormitory income, and that while the income from all the
institutions was pledged for the total $7,000,000 bond issue, there
would be records kept internally that would segregate the share of
each institution. Under the law, all the income is pledged until
a sufficient sinking fund has been established, and the amount of
the sinking fund is the responsibility of the Board. It is
conceivable but there is not much probability that each segment
included in the issue will not continue to support its share of the
combined issue. If something unforeseen should arise, one
institute might temporarily be called upon to pay more than its
proportionate share, for which it would later be reimbursed.
Future income will, in the judgment of the Board, be sufficient to
meet in full the principal and interest. We have never defaulted
on a bond issue yet and it is not Board policy to permit default.
Legally the Board can use its general funds to pay interest and
principal, and this has been done in the past. It would be
unthinkable to expect to ask for a property levy to pay the bonds.

Mr. Cabell then moved the adoption of the following resolution:
RESOLUTION

BE IT RESOLVED BY THE STATE BOARD OF HIGHER EDUCATION OF THE STATE OF OREGON, that, with the approval of the State Bond Commission of the state of Oregon, SEVEN MILLION DOLLARS ($7,000,000) par value of bonds authorized by Article XI-F of the Constitution of the state of Oregon, designated as Article XI-F (1) in Senate Joint Resolution numbered 29 of the Forty-Sixth Legislative Assembly of the state of Oregon, and further authorized by Chapter 435, Oregon Laws 1951, be issued and sold on or about October 15, 1951, in order to carry out the purposes of the said article of the constitution and of the said law; and

BE IT FURTHER RESOLVED that of the said bonds SIX MILLION SEVEN HUNDRED NINETY-SIX THOUSAND DOLLARS ($6,796,000) par value be issued for the purpose of calling, purchasing, and refunding outstanding Department of Higher Education revenue bonds heretofore issued by the State Board of Higher Education, described as follows:

<table>
<thead>
<tr>
<th>Issue</th>
<th>Date of Issue</th>
<th>Rate %</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Oregon State Agricultural College Women's Dormitory Building</td>
<td>5-1-47</td>
<td>2 3/4</td>
<td>$1,144,000</td>
</tr>
<tr>
<td>Oregon State Agricultural College Pavilion Building</td>
<td>4-15-48</td>
<td>3 1/4</td>
<td>2,040,000</td>
</tr>
<tr>
<td>University of Oregon Women's Dormitory Building</td>
<td>5-1-48</td>
<td>2 3/4 - 3</td>
<td>1,516,000</td>
</tr>
<tr>
<td>University of Oregon Student Union and Athletic Facilities</td>
<td>10-15-48</td>
<td>3 1/8</td>
<td>1,800,000</td>
</tr>
</tbody>
</table>

and that TWO HUNDRED FOUR THOUSAND DOLLARS ($204,000) be issued for the purpose of constructing, equipping, and furnishing an addition to the dormitory at the Southern Oregon College of Education, at Ashland, Oregon; and
BE IT FURTHER RESOLVED that the principal of and the interest on all the bonds issued pursuant to this resolution be paid upon the due dates thereof at the office of the State Treasurer of the state of Oregon, and that the said bonds be known and designated as STATE OF OREGON, STATE BOARD OF HIGHER EDUCATION REFUNDING AND BUILDING BONDS, SERIES 1951, and be numbered consecutively from one (1) to twenty-five (25) inclusive; and

BE IT FURTHER RESOLVED that the said bonds shall be dated October 15, 1951, shall mature upon the dates and in the principal instalments hereinafter in this resolution set forth, and shall be subject to redemption at the option of the State Board of Higher Education on any interest-paying date on and after April 15, 1952, at par value and accrued interest, from the moneys and revenues indicated in the aforesaid constitutional amendment and statute, or through refunding; and

BE IT FURTHER RESOLVED that the maturity dates and principal instalments of State of Oregon, State Board of Higher Education Refunding and Building Bonds, Series 1951, dated October 15, 1951, be as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
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<tbody>
<tr>
<td>April 15, 1953</td>
<td>$154,000</td>
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<tr>
<td>April 15, 1954</td>
<td>154,000</td>
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<tr>
<td>April 15, 1955</td>
<td>154,000</td>
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<td>April 15, 1956</td>
<td>154,000</td>
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<tr>
<td>April 15, 1957</td>
<td>196,000</td>
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<tr>
<td>April 15, 1958</td>
<td>196,000</td>
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<tr>
<td>April 15, 1959</td>
<td>196,000</td>
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<td>April 15, 1960</td>
<td>196,000</td>
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<tr>
<td>April 15, 1961</td>
<td>254,000</td>
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<tr>
<td>April 15, 1962</td>
<td>254,000</td>
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<tr>
<td>April 15, 1963</td>
<td>254,000</td>
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<tr>
<td>April 15, 1964</td>
<td>254,000</td>
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<tr>
<td>April 15, 1965</td>
<td>254,000</td>
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<tr>
<td>April 15, 1966</td>
<td>314,000</td>
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<tr>
<td>April 15, 1967</td>
<td>314,000</td>
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<tr>
<td>April 15, 1968</td>
<td>314,000</td>
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<td>April 15, 1969</td>
<td>314,000</td>
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<tr>
<td>April 15, 1970</td>
<td>314,000</td>
</tr>
<tr>
<td>April 15, 1971</td>
<td>372,000</td>
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<tr>
<td>April 15, 1972</td>
<td>372,000</td>
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<tr>
<td>April 15, 1973</td>
<td>372,000</td>
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<tr>
<td>April 15, 1974</td>
<td>412,000</td>
</tr>
<tr>
<td>April 15, 1975</td>
<td>412,000</td>
</tr>
<tr>
<td>April 15, 1976</td>
<td>412,000</td>
</tr>
<tr>
<td>April 15, 1977</td>
<td>408,000</td>
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and
BE IT FURTHER RESOLVED that the State Board of Higher Education
furnish to the state of Oregon as the purchaser of the said bonds,
without cost to the purchaser, the written opinion of Winfree, McCulloch,
Shuler & Sayre of Portland, Oregon, certifying to the validity and
legality of the said bonds; and

BE IT FURTHER RESOLVED that the said bonds issued pursuant hereto
be of uniform tenor, be direct general-obligation bonds of the state
of Oregon, and be in substantially the following form, prepared by
the Attorney General of the state of Oregon:

UNITED STATES OF AMERICA

Number ___________  STATE OF OREGON  $__________

STATE BOARD OF HIGHER EDUCATION

REFUNDING AND BUILDING BOND

SERIES 1951

KNOW ALL MEN BY THESE PRESENTS, That the STATE OF OREGON
acknowledges itself to owe and for value received hereby promises
to pay to

STATE INDUSTRIAL ACCIDENT COMMISSION,
TRUSTEE OF INDUSTRIAL ACCIDENT FUND
UNDER TITLE 102, CHAPTER 17, ARTICLE 6,
OREGON COMPILLED LAWS ANNOTATED, AS AMENDED

the sum of

- - - - - - ONE HUNDRED FIFTY-FOUR THOUSAND DOLLARS - - - - - -

on the fifteenth day of April, 1953, together with interest on said
sum until paid at the rate of two and one-tenth per cent (2.1%) per
annum payable semiannually on the fifteenth days of April and Octo-
ber in each year. Both the interest on and the principal of this
bond are payable at the office of the state treasurer of the state
of Oregon at Salem, Oregon, in any coin or currency which, at the
time of payment, is legal tender for the payment of public and private
debts within the United States of America. Interest hereon runs from
the fifteenth day of October, 1951.

This bond may be redeemed at the option of the state of Oregon,
at par and accrued interest, on any interest day or days, on and after
April 15, 1952.
This bond is issued by the state of Oregon in conformance to its Constitution and under and by virtue of and in all respects in full and strict compliance with its laws, and in particular, to the provisions of Article XI-F (1) of its Constitution and of Chapter 435, Oregon Laws 1951, for the purpose of refunding valid outstanding revenue bonds heretofore issued by the State Board of Higher Education and for the purpose of financing the cost of constructing, equipping, and furnishing a building to be used for higher education.

The faith and credit of the state of Oregon hereby are irrevocably pledged for the punctual payment of the interest on and the principal of this bond, as the said obligations become due and payable respectively.

This bond is transferable by the delivery hereof accompanied by a written assignment hereof duly signed by the registered holder or his principal representative, but no such transfer shall be effectual as against the state of Oregon until recorded upon the books of the state treasurer. Upon such transfer, a new bond or bonds of like tenor and aggregate principal amount will be issued in the name of the transferee.

IN TESTIMONY WHEREOF the STATE OF OREGON has caused this bond to be signed by the governor, secretary of state, and state treasurer, and sealed with the seal of the state of Oregon, this fifteenth day of October, 1951.

Governor

(SEAL) Secretary of State

State Treasurer

BE IT FURTHER RESOLVED that the offer of the state of Oregon, to purchase at par value and accrued interest, with funds under the control and administration of the State Industrial Accident Commission, the aforesaid $7,000,000 of Oregon State Board of Higher Education Refunding and Building Bonds bearing interest at the rate of two and one-tenth per cent per annum payable semiannually, be accepted; and
BE IT FURTHER RESOLVED that the Secretary and Comptroller of
the State Board of Higher Education be authorized to effect the neces-
sary arrangements for the delivery of the bonds and to obtain payment
therefor; and

BE IT FURTHER RESOLVED that the said secretary and comptroller
be authorized and directed to take appropriate action to call and
redeem on the next optional payment dates, at the call prices and in
the manner provided in the bonds called, all of the outstanding bonds
heretofore issued by the State Board of Higher Education of the follow-
ing issues:

Oregon State Agricultural College Women's Dormitory
Building Bonds, dated May 1, 1947

Oregon State Agricultural College Pavilion Building
Bonds, dated April 15, 1948

University of Oregon Student Union and Athletic

BE IT FURTHER RESOLVED that for refunding purposes the State
Board of Higher Education, through its comptroller, purchase from
the state of Oregon on October 15, 1951, on a 2.1% yield basis
computed to May 1, 1953, all of the University of Oregon Women's
Dormitory Building Bonds owned by the state, dated May 1, 1948
and initially subject to redemption on May 1, 1953; and

BE IT FURTHER RESOLVED that, with the approval of the State
Bond Commission of the state of Oregon, the said $7,000,000 in
bonds be issued in registered form to bear semiannual interest;
that both the principal of and the interest upon said bonds be
made payable at the office of the State Treasurer of the state
of Oregon; and that the said bonds be executed with the original
signatures of the Governor, the Secretary of State, and the State
Treasurer, of the state of Oregon.
On a roll call vote, the Board voted as follows:

Voting "aye": Henry F. Cabell
George F. Chambers
Leif S. Finseth
A. S. Grant
R. E. Kleinsorge
Cheryl S. MacNaughton
Frank J. Van Dyke

Voting "no": None.

The Chairman announced that the Board unanimously adopted the resolution as presented and authorized the sale to proceed.

BEACH PROPERTY, OSC

Dr. Byrne stated that as indicated in the call of meeting, it is necessary to consider a resolution authorizing officers of the Board to sign a mortgage and a mortgage note in connection with the purchase of the Beach property at Oregon State College. The acquisition of the property was approved by the Board on October 24, 1950. The purchase price of the property is $75,000, with a down payment of $21,750 and the balance to be amortized over a period of 15 years or less from net income from the land. The Attorney General has approved the necessary documents including the resolution, mortgage, mortgage note and a letter to Mrs. Beach giving her the right to occupy the residence as long as she makes it her home. The resolution is as follows:

WHEREAS, under and by virtue of the statutes in such cases made and provided, the State of Oregon, by and through its State Board of Higher Education, is authorized to purchase real property, and in the acquisition of this property, is further authorized to mortgage or pledge any property so purchased, together with the income from such property; and

WHEREAS, the State of Oregon, by and through the State Board of Higher Education by Board action on October 24, 1950, approved the purchase of the Beach property at a purchase price of $75,000, with a down payment of $21,750 and the balance of $53,250 to be amortized over a period of 15 years or less from net income from the land; and

WHEREAS, the property has now been surveyed and various preliminary legal technicalities taken care of; now, therefore,

BE IT RESOLVED by the State Board of Higher Education by meeting assembled:

That the State Board of Higher Education does hereby authorize its President and Secretary to execute a mortgage and mortgage note and any other necessary documents to consummate the purchase of the Beach Property as authorized by the October 24, 1950 meeting of the State Board of Higher Education.

On a motion by Mr. Van Dyke, duly seconded, the Board unanimously adopted the resolution authorizing consummation of the purchase.
For the purpose of keeping the Board informed, Dr. Byrne reported as follows on the steam line to the Oregon State College Coliseum:

"For sometime there has been pending the correction of a deficiency in the steam line to the Oregon State College Coliseum. When the building was accepted, the acceptance was subject to the correction of weaknesses apparent at the time. Attempts have been made to overcome the difficulties but no satisfactory solution has been arrived at. The architect, Mr. Marsh, has notified the contractor, W. R. Ransom and Sons, from time to time that the job was unsatisfactory. Upon the advice of the architect, the matter has been taken up with the Attorney General, and he is taking steps to notify the contractor and the bonding company that the College is going to proceed to make the correction and hold the contractor and/or the bonding company responsible for the expense. The sum of $2,000 was held back from the mechanical contractor but the cost of correction by the College physical plant staff will probably require an additional $8,600 expenditure.

"Our office has proceeded carefully in the matter but now, in conjunction with President Strand, feels that this step is necessary. No action is required but we wanted you to be informed on the matter."

President Newburn has recommended the purchase of the Houghton property consisting of a house and lot on 13th Street and Franklin Boulevard adjacent to the triangle purchased with donated funds. The owner has granted a fifteen day option which expires August 15 offering the property for $9,100 which is the amount of the highest appraisal. However, the lowest appraisal did not take into consideration the income of approximately $117 a month which the owner gets from renting part of her property. This parcel is part of the property which abuts on Franklin Boulevard which the University is anxious to clear to avoid zoning difficulties, and with its acquisition there will be only one lot left there to be acquired.

Dr. Byrne stated that he had looked at the property and considers it a fair buy considering the income it provides to the owner. Dr. Byrne stated that although he had not intended to submit purchases from the land purchase fund to the Board until the whole picture had been determined, he was recommending that this purchase be approved because the owner has put the property on the open market and purchase may be more difficult and more costly later. President Newburn understands that this purchase will be taken into consideration as part of the University's share in the general purchase plan. The Board approved the purchase of the Houghton property.

KERR PROPERTY, SOCE

For the information of the Board, Dr. Byrne reported that the owner of the Kerr property in Ashland has refused to accept the offer of $29,000 and still asks $35,000. The matter has therefore been turned over to the Attorney General who will institute condemnation proceedings.
Mr. Finseth submitted the following resolution:

"On Wednesday, August 1, 1951, the State of Oregon lost a devoted public servant with the death of Phil S. Metschan. For six years the late Mr. Metschan was an effective member of the State Board of Higher Education, serving for several years as chairman of the public relations committee and as a member of the buildings, grounds and capital outlay committee. His long service to the state has included participation in party affairs and in many civic responsibilities. The Board, now assembled, expressed sincere regret in the death of a colleague and friend and herewith directs the secretary to spread this memorial upon the minutes and deliver a copy of same to the immediate family."

The Board adopted the resolution.

Mr. Chambers submitted the following resolution:

"The Oregon State Board of Higher Education here assembled takes this means of expressing, individually and as a body, deep regret in the death June 24, 1951, of Dr. George W. Peavy, for twenty-seven years head of the School of Forestry at Oregon State College and for six years, from 1934 to 1940, President of the State College. For a third of a century, Dr. Peavy brought to his beloved School of Forestry and to the institution as a whole an enthusiasm, a devotion, and a strong directive influence that have left a permanent mark in the development of the institutions. His capacity for loyalty to students and alumni made of him a lifelong friend and counselor to thousands of former students. His participation in civic affairs was a tribute to his abilities and interest in his community. His death is a real loss to the State and to higher education. May this memorial be spread upon the minutes of the Board and a copy sent to the immediate family of the deceased."

The Board adopted the resolution.

President Newburn requested Board authorization for the employment of an architect to plan the remodeling of a part of the Dental School to provide for the Dental Hygiene Clinic. The remodeling involves a $20,000 expenditure which is provided for in the budget and will include strengthening floors, bringing in plumbing and electricity, and making other necessary improvements. It is planned to hire Lawrence, Tucker and Wallman on a cost-plus basis. The Board granted authority for the employment of the architect.

The Board adjourned at 11:45 A.M.

EDGAR W. SMITH, President

CHARLES D. BYRNE, Secretary