Committee members present: Rick Miller, Christine Vernier, Pete Nickerson, Gale Castillo, Irving Levin,

Committee members not present: Peter Stott

University staff present: David Reese, Kevin Reynolds, Sarah Kenney, Alan Finn, Cathy Kirchner, Shelley Winn, Don Forsythe, Ashley Deihr, Dan Zalkow

1. Call to Order/Roll Call/Declaration of Quorum

Chair Rick Miller called the meeting to order at 9:02 am. The Secretary called the roll, a quorum was present, and the meeting proceeded.

2. Housekeeping

Approval of the October 23, 2014 meeting minutes. It was moved by Nickerson and seconded by Vernier that the minutes of the October 23, 2014 meeting be approved. The motion was adopted unanimously.

3. Vice President’s Report

Kevin Reynolds, Vice President of Finance and Administration, provided a brief report. He thanked the staff, reviewed the agenda, and discussed items that would be covered in future meetings of the committee.

4. Tuition and Fees Policy

Reynolds provided an overview of the Board’s authority over the establishment of tuition and mandatory fees and described the purpose of the resolution and draft policy currently before the Committee. The purpose of the policy is to adopt the process through which the Board will establish tuition and mandatory fees for future academic years. Tuition and mandatory fees for the 2015-16 academic year will need to come before the full Board in the spring, making it necessary that the Board establish a process now. Reynolds also reviewed the difference between resident and non-resident tuition and between undergraduate and graduate tuition, discussed differential tuition, and reviewed the types of fees assessed to students. Reynolds explained that the proposed policy would require that mandatory student fees (such as the incidental fee, health service fee and ASRC fee) be approved by the Board and would delegate to the President the authority to set other fees (such as lab fees, application fees, library fines, etc.). This is a common approach at universities throughout the country.
Members of the committee asked questions regarding student fees and the process through which recommendations regarding student fees are made to the Board. Reynolds, General Counsel David Reese and representatives of ASPSU described the process and the past practice of ASPSU and the administration in these processes.

Reynolds and Reese discussed the process that was used to draft the proposed policy and noted that changes had been made in response to requests from ASPSP. The committee is being asked to approve the policy with the revisions agreed to with ASPSU, which is different from the version of the policy originally included in the docket for the meeting. The revised proposed policy was provided to members of the Committee at the meeting and is attached to these Minutes as Exhibit A.

Pete Nickerson asked for clarification that the recommendation to the full Board is to approve a policy regarding the setting of tuition and fees, and that the committee and Board are not discussing actual tuition or fee amounts at this time. Reese confirmed that was the purpose of the resolution.

Irving Levin made a motion that the proposed Resolution, as provided to the committee and attached as Exhibit A, be approved by the committee and recommended to the full Board. The motion was seconded by Nickerson. The motion was adopted unanimously.

5. Debt Management Policy

Reynolds reminded the committee that they had reviewed an earlier version of the Debt Management Policy at the committee’s October meeting. Since then, staff has made revisions to the policy to reflect the discussion at the previous meeting. A redlined version of the policy, showing changes since the October committee meeting, is included in the docket. Reynolds described the changes to the committee.

In response to questions, Reynolds and Alan Finn, Associate Vice President for Budget and Planning, described controls in place to assure that debt was being managed properly.

Levin suggested that Section II.B.2 of the policy would be improved by providing additional guidance to the President that any debt financing up to $5 million should be approved only when doing so is consistent with the principles of sound fiscal management and without detrimentally impacting the University’s financial condition. Other members of the committee concurred. After some discussion, it was agreed that the II.B.2, II.B.3 and II.B.4 should be revised to include a requirement that approval of capital projects, debt financings and long-term leases up to $5 million is delegated to the President, “provided that such action is consistent with the best interests of the University and sound fiscal management and does not fundamentally and detrimentally affect the financial condition of the University or the ratios identified in Section IV of the policy.”

Nickerson made a motion that the proposed Resolution, with the amendment suggested by Levin, be approved by the committee and recommended to the full Board, with the understanding that the staff may make revisions to Section II.B to best incorporate the new language into all three of the relevant subsections. The motion was seconded by Levin. The motion was adopted unanimously.
6. **Public University Fund Investment Policy**

Reynolds provided the committee with background information regarding the University’s banking and investment history and practice. Prior to July 1, 2014, University funds were included in the Oregon University System’s “internal bank,” which allowed for the pooling of the funds of all Oregon public universities and for short-term borrowing. Following July 1, 2014, University funds are now part of the new Public University Fund (PUF), which was established by the Legislature to permit Oregon public universities to continue to pool funds within the Oregon State Treasury. All of the public universities except the University of Oregon have elected to continue to pool funds in the PUF. The PUF, working with the universities and Public Finance Management, Inc., has developed a PUF Investment Policy, which has been approved by the Oregon State Treasurer’s Office and the Oregon Investment Council. The universities participating in the PUF have now been asked to obtain approved of the PUF Investment Policy by their institutional boards.

Gale Castillo asked about the benefits of participation in the PUF. Don Forsythe, University Treasurer, described the economies of scale and the benefit of one shared investment team with a conservative approach towards investing. Reynolds and Forsythe noted that there is oversight of the PUF is provided by the vice presidents of all participating universities, and that any university may exit the PUF with adequate notice.

Christine Vernier made a motion that the proposed Resolution be approved by the committee and recommended to the full Board. The motion was seconded by Castillo. The motion was adopted unanimously.

7. **Cash Flow Forecast**

Reynolds and Forsythe described the University’s monthly cash flow forecast versus thirty- and sixty-day liquidity requirements. They noted the fluctuations in University cash flow, with an annual low point in September (prior to receipt of fall tuition payments) and a projected influx in March 2015 due to the receipt of bond proceeds for capital construction projects.

Committee members asked about liquidity and the ability to borrow from the PUF. Forsythe described the investment mix in the PUF between short-, intermediate-, and long-term investments and explained that the PUF is not currently able to provide inter-institutional loans.

In response to questions regarding the thirty- and sixty-day liquidity requirements, Forsythe explained purpose of those benchmarks and the consequences when a university falls below the thirty- or sixty-day requirements. The first step is that the university is flagged to be “watched.” Generally, the time in a “watch” status is short because the cash situation evens out. In response to a question about how a university could meet an immediate cash need if in a “watch” status, Forsythe indicated that a line of credit is an option. However, obtaining a line of credit would require a short-term debt policy, which would need to be brought to the Board for approval. Forsythe indicated that he expects to bring a short-term debt policy to the committee in the future.
8. **Budget Updates**

Reynolds provided an update regarding the FY 15 Budget.

- **Fourth Week Enrollment Report**

Reynolds summarized Fall term enrollment. Total headcount is down 1.8%. However, student credit hours (SCH) are down only slightly (0.4%), and non-resident SCH is up 8.4%.

- **Budget to forecasted actuals (revenue and expenditures)**

Reynolds summarized Q1 actuals compared to the FY14-15 budget forecast. Tuition and fee revenue is close to projected (within 0.5%); other revenues are slightly up, with the exception of auxiliaries; overall expenditures are lower than budget. The net impact of Q1 actuals in that the University is predicting a smaller net loss in FY 14-15.

- **Revenue and Cost Attribution Tool (RCAT)**

Reynolds described the University’s Revenue and Cost Attribution Tool (RCAT) and updated revenue forecasts for the schools and colleges.

In response to a question about how the net attributable revenue numbers were developed, Reynolds described the rigorous forecasting process undertaken by each school and college in the spring. He reminded the committee that this was the first year for performance-based budgeting and that this new process would involve a learning curve.

9. **Quarterly Reporting**

Reynolds introduced Ashley Deihr and Ryan Engelstad, from the accounting firm Baker Tilly. Deihr is serving as the University’s interim controller. Deihr provided an overview regarding the quarterly financial statements to be used in the future. Engelstad walked through the statements, and talked briefly about the different sections. There was a question regarding unfunded pension liabilities and it was noted that governmental entities, such as PSU, will be required to show unfunded pension liabilities on audited financial statements beginning June 30, 2015.

10. **Agreement for Disposition or Development of Property in North Macadam Urban Renewal Area with Portland Development Commission**

Dan Zalkow, Executive Director of Campus Planning and Development, reviewed proposed changes to the North Macadam Urban Renewal Area (NMURA) and a draft Agreement for Disposition or Development of Property (DDA) with the Portland Development Commission regarding proposed contributions to urban renewal projects on the University campus as part of the revisions to the NMURA. Zalkow noted that each project would be the subject of a separate Intergovernmental Agreement, which may be subject to Board approval in the future. The changes to the MNURA and
the terms of the DDA are expected to be approved by the PDC and the Portland City Council shortly.

11. Executive Session: Discussion with Legal Counsel Regarding PDC Agreement and Related Litigation

Chair Miller informed the committee, staff and audience that the committee would go into closed executive session pursuant to ORS 192.660(2)(H) to consult with legal counsel regarding litigation related to the proposed DDA with PDC. All members of the staff and audience were excluded from the room except Reynolds and Reese.

12. Minority, Women and Emerging Small Business (MWESB) Presentation

Due to time constraints, this presentation was postponed until the meeting on February 12, 2015.

13. Questions and Comments

None

14. Adjourn

With no further comments or questions, Chair Miller adjourned the meeting at 11:58 am.