December 2, 2015
Market Center Building
1600 SW 4th Ave, Suite 541, Gold Conference Room
3:00 pm to 4:00 pm

Minutes

Committee Members Present: Erica Bestpitch, Gale Castillo, Tom Imeson, Margaret Kirkpatrick, Irving Levin, Rick Miller, Pete Nickerson, and Christine Vernier

Other Trustees Present: Sho Dozono and Maude Hines

Committee Members not present: Peter Stott and Wim Wiewel

PSU Staff present included: Don Forsythe, Andria Johnson, Jennifer Kahl, Cathy Kirchner, Susan Klees, David Reese, David Terry, and Shelley Winn

1. CALL TO ORDER/ROLL/DECLARATION OF QUORUM

Chair Nickerson called the meeting to order at 3:08 pm and the Board Secretary took role. A quorum was present, and the meeting, having been duly convened, was ready to proceed with business.

2. DRAFT 2015 ANNUAL FINANCIAL REPORT

Jean Bushong of CliftonLarsonAllen LLP (CLA) presented the findings from the 2015 annual financial report. Bushong explained CLA’s responsibilities under GAAS, the results of the audit, and emerging issues facing higher education. Bushong noted the following items:

PSU adopted GASB Statement No. 68 regarding accounting and financial reporting for pensions effective July 1, 2014. As a result, PSU recorded a $38 million reduction to beginning net position. Fiscal year 2014 was not restated due to this change in accounting standards.

The reorganization of higher education in Oregon and the University’s separation from the Oregon University System results in the removal of $145 million of “legacy state-paid” debt from the University’s books. As a result of the reorganization, the University no longer receives debt service appropriations from the State and is no longer responsible for the debt service.
The presentation of net pension liability/asset is expected to change significantly. Net pension liabilities are calculated at a statewide level and allocated to employers, such as PSU, on a proportionate basis. The net pension liability for PSU as of July 1, 2015 was $46.7 million; as of June 30, 2015 was $20.8 million asset. This net asset will swing back to being a net liability next year due to the Oregon Supreme Court’s April ruling striking certain reforms to the Oregon Public Employee Retirement System. It is estimated that PSU’s $20.8 million net asset would have been a $24 million net liability if the impact of the ruling had been reflected in the financial statements.

The Single Audit Findings and Recommendations include a finding regarding the reporting of Local Improvement District (LID) debt owed to the City of Portland. PSU has historically treated these obligations in a manner similar to a property tax assessment, which is expensed as incurred. However, the auditors have determined that a liability and expense need to be reported for outstanding LIDs. This question had been brought to the attention of the auditors by PSU management. The necessary changes have been made.

An issue to pay attention to next year is the potential closeout of the Perkins Loan Program and the handling of closeout deadlines and expectations, loan portfolio cleanup and a decision regarding purchasing vs. assigning outstanding loans.

PSU management cooperated fully with the external auditors and no difficulties were encountered.

ACTION: Castillo moved to accept the report. Imeson seconded the motion. The motion passed unanimously. (Bestpitch was no longer present and did not vote.)

3. Resolution Directing Pursuit of College Affordability and Student Success Initiatives

Lois Davis, Chief of Staff, presented the committee a proposed resolution regarding the importance of pursuing multiple strategies to address issues of college affordability and student success.

The six strategies discussion in the resolutions are: The six strategies are:

1. Continued efforts to increase the Legislature’s investment in higher education after decades of state disinvestment.
2. Continued efforts to assure full implementation of a Higher Education Coordinating Commission funding formula that provides the University with a proportion of state funds that is equitable and that appropriately recognizes the University’s student population, diversity, degree outcomes, and contributions to the achievement of statewide goals.
3. The launch by the Portland State University Foundation of a comprehensive philanthropic campaign.

Portland State University Board of Trustees
4. The recruitment of more out-of-state and international students, without decreasing the opportunities provided to Oregonians.

5. The launch of new projects as part of the reTHINK PSU initiative, an ongoing campus-wide effort to deliver an education that serves more students with better outcomes, while containing costs through curricular innovation, community engagement and effective use of technology.

6. The full exploration and, if feasible, pursuit of a new Portland metropolitan area revenue measure to provide support to the University, to fund scholarships for local students, to enhance student support, and to continue to generate greater numbers of high quality graduates that support the economic development and cultural vitality of this region.

The committee discussed the status of the potential ballot measure to impose a payroll tax in the Metro area. The committee discussed the lack of a formal role for the Board in decisions regarding pursuit of a ballot measure and the prohibitions that would apply if a measure were filed by citizens. The committee expressed its general support for all of the strategies to increase and diversify revenue and expressed its desire to be kept informed of developments regarding the possible ballot measure.

**ACTION:** Vernier made a motion to approve the Resolution. Castillo seconded. The motion passed unanimously. (Levin and Bestpitch were no longer present and did not vote.)

**4. ADJOURN**

With no further comments or questions from the committee, Chair Nickerson adjourned the meeting at 4:42 pm.