Minutes

Board Members Present: Swati Adarkar (conference call), Erica Bestpitch (conference call), Gale Castillo (conference call), Sho Dozono, Carolina Gonzalez-Prats, Maude Hines, Thomas Imeson, Margaret Kirkpatrick, Irving Levin (conference call), Rick Miller (conference call), Fariborz Maseeh (conference call), Pete Nickerson (conference call), Peter Stott, Wim Wiewel (ex-officio).

Board Member(s) Not Present: Christine Vernier

Staff Present: Alan Finn, Don Forsythe, Sarah Kenney, David Reese, Kevin Reynolds, and Shelley Winn.

1. Call to Order/Roll/Declaration of Quorum

Chair Nickerson called the meeting to order at 9:02 am. Roll was called and a quorum was established.

2. Approval of resolution approving School of Business Administration, Stott Center (Viking Building) and Deferred Maintenance Projects and the Issuance of State of Oregon General Obligation Bonds.

The transition of authority from the State Board of Higher Education to the Portland State University Board of Trustees, and to the new PSU Policy on Debt Management approved by the Board in December, results in the need for formal Board approval of the PSU projects to be included in the State’s spring bond sales.

Reese provided background and summary information of the resolution. Reynolds described the financing plans for each project.

There are three PSU projects scheduled to be included in the State’s spring 2015 bond sale:

1. Peter Stott Center/Viking Pavilion project: an approximately $44 million project—to be funded with up of $20 million of state-paid Article G bonds, $2 million of university-paid Article F(1) bonds, $2 million of state-paid Article Q bonds, and $20 million of university match.

2. School of Business Administration project: an approximately $60 million to $65 million project—to be funded with up of $10 million of state-paid Article G bonds, $30 million of state-
paid Article Q bonds, $10 million of university match, and at $10 million to $15 million of additional university funding.

3. PSU’s portion of the university system’s deferred maintenance request: approximately $5.5 million of state-paid Article Q bonds.

All of these are General Obligation bonds to be issued by the State of Oregon (they not University-issued revenue bonds). Of this $69.5 million in total state General Obligation debt for the benefit of the University, $67.5 million is “State-Paid Debt,” which means that the borrowings are expected to be repaid from state appropriations. Only $2 million (the Article F(1) bonds included in the financing for the Peter Stott Center/Viking Pavilion Project) is “University-Paid Debt,” which means that the borrowing is expected to be repaid from revenues of the University.

These projects and funding requests were approved by the State Board of Higher Education and then approved by the Legislature in 2013. However, although the PSU Board and the Finance and Administration Committee have been briefed on these projects several times, the Board has never been asked to formally approve them.

There are several reasons that the Board is required to take this action now: (1) The Oregon State Treasury has scheduled the sale of Article Q bonds for March. Historically, state bond sales have occurred in April, which would have allowed more time and made it more likely this could be handled at the March board meeting. But that is not the case this year. (2) This is the first time that the Treasurer has issued bonds for the benefit of universities with governing boards pursuant to the terms of SB 270. The Treasurer’s Office, the universities, the Department of Administrative Services, and our respective bond counsels are working together to determine the appropriate processes, timelines and documentation for the issuance of General Obligation bonds in this new environment. (3) Our new PSU Policy on Debt Management delegates authority to the President to request bond issuances and to execute the necessary documents for projects that have been approved by “the Board”. Although these projects were previously approved by the State Board of Higher Education, they were not approved by the current PSU Board, and the Policy on Debt Management does not explicitly approve projects previously approved by the SBHE. In sum, the complexities of the transition to the PSU Board and the newness of these processes to everybody have resulted in the need for a special board meeting to approve these projects and to approve the issuance of State General Obligation bonds as elements of the financing plans for the projects.

Dozono made a Motion to approve the resolution. Imeson seconded. Stott declared a potential conflict of interest because the Viking Pavilion is part of a building bearing his name and recused himself from voting. Miller also recused himself from voting because of the potential conflict of interest arising from his involvement with the School of Business Administration project.

Yays: Adarkar, Bestpitch, Gonzalez-Prats, Castillo, Dozono, Hines, Imeson, Kirkpatrick, Levin, Maseeh, and Nickerson.

Nays: None.
Abstentions: Miller, Stott.

The resolution was approved.

Trustee Hines requested the Board be involved in discussions regarding institutional and philanthropic priorities, in the future, in order to ensure that such priorities are aligned. Trustee Castillo expressed her support for this request.

The meeting adjourned at 9:53 am.