Executive and Audit Meeting
ASRC University Board Room 515
Friday, 3/11/2016
9:00 - 11:00 AM PT

1. Call to Order/Roll/Declaration of Quorum

2. Consent Agenda
   Approval of Minutes from Joint Executive & Audit and Finance & Administration December 2, 2015 Meeting
   Meeting Minutes Joint Executive & Audit and Finance & Administration 12-2-2015 - Page 2
   Meeting Minutes Executive & Audit 12-2-2015 - Page 7

3. Review Executive & Audit Committee Charter
   Review and Amendment of Executive & Audit Committee Charter
   Executive and Audit Committee Charter - Page 9

4. Draft Policy: Recommendations for Trustee Appointment
   Cover Sheet: Draft Policy Regarding Recommendations for Trustee Appointment - Page 11
   Draft Policy: Recommendations for Trustee Appointment - Page 12

5. Proposed Amendment to Bylaws
   Cover Sheet: Amendment to Portland State University By-Laws - Page 15
   Proposed Amendment to PSU Bylaws, ART. VI, § 2 - Page 16

6. Recommendations Regarding 2016-17 Board Officers

7. Audit Report  Presented By: David Terry

8. Adjourn
This page intentionally blank.
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 is 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.
This page intentionally blank.
December 2, 2015
Market Center Building
1600 SW 4th Ave, Suite 541, Gold Conference Room
4:00 pm to 5:00 pm

Minutes

Committee Members Present: Gale Castillo, Tom Imeson, Margaret Kirkpatrick, and Pete Nickerson (chair)

Other Trustees Present: Sho Dozono

Committee Members not present: Rick Miller and Wim Wiewel

PSU Staff present included: David Reese, David Terry and Shelley Winn

1. CALL TO ORDER/ROLL/DECLARATION OF QUORUM

Chair Nickerson called the meeting to order at 4:44 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. CONSENT AGENDA

APPROVAL OF MINUTES FROM AUGUST 26, 2015 MEETING

Chair Nickerson submitted the minutes from the May 27, 2015 meeting for approval.

ACTION: Kirkpatrick moved to approve the minutes. Imeson seconded. The motion passed unanimously.

3. AUDIT UPDATE

David Terry presented a status update on the annual audit plan and EthicsPoint complaints. Ten EthicsPoint complaints have been received and nine have been closed. Terry indicated that he has completed several audits on the 2014-15 audit plan, including audits of the Geology Department, Confucius Institute, and Office of Financial Aid. He discussed current and
upcoming audit projects, including audits of Planning, Construction and Real Estate; Research; Housing; and the Office of International Affairs.

Terry also discussed his work on the 2016-17 risk assessment. He expects to bring the 2016-17 risk assessment to the Executive and Audit Committee and full Board in June. Results of 2015 audits will be factored into the results.

4. ADJOURN

With no further comments or questions from the committee, Chair Nickerson adjourned the meeting at 4:59 pm.
Executive and Audit Committee

The Executive and Audit Committee is established. The Committee is empowered to act for the Board between regular Board meetings and to oversee the University’s financial practices and standards of conduct, as provided in this policy.

The Committee shall have the following five voting members: the Chair of the Board, the Vice Chair of the Board, the Chair of the Academic and Student Affairs Committee, the Chair of the Finance and Administration Committee, and one at-large member appointed from among the remaining trustees. The President shall be an ex officio non-voting member of the Executive and Audit Committee. The Chair of the Board is the Chair of the Executive and Audit Committee.

It is the expectation of the Board that the full Board will consider and make decisions regarding all significant matters before the Board. Nonetheless, the Board recognizes that certain matters may be appropriately handled by the Committee between regular Board meetings, either at the specific direction of the Board or because time is of the essence. The Committee is empowered to act for the Board between regular Board meetings on all matters except the following, which shall be reserved for the Board: (1) presidential selection, evaluation and termination, (2) board and committee officer election, (3) changes in the mission and purposes of the University, (4) amendments to the bylaws, (5) incurrence of University indebtedness, (6) sale or other disposition of real estate and other tangible property, (7) condemnation of real property, and (8) adoption of the University budget.

The Committee is responsible for oversight of the institution’s financial practices and standards of conduct. The Committee is responsible for (1) overseeing the external financial audit, (2) ensuring compliance with legal and regulatory requirements, (3) monitoring internal controls and risk management systems, and (4) review of the annual risk assessment and internal audit plan. In addition, the Committee is responsible for such other matters as may be referred to it by the Board or Chair.

The University’s Director of Internal Audit reports administratively to the President and functionally to the Committee. Internal Audit will follow the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing.

The Committee has the authority, through its chair or a majority vote of its regular voting members, to ask management to address specific issues within the mandate of the committee, as well as the authority to engage independent legal counsel and other professional advisers to carry out its duties. The Committee is responsible for making nominations to the Board for Board and committee officers and for committee member assignments.

The Secretary to the Board is responsible for providing staff support to the Committee.

APPROVED BY BOARD OF TRUSTEES
January 30, 2014

AMENDED BY BOARD OF TRUSTEES
December 11, 2014
This page intentionally blank.
AGENDA ITEM: 4

DATE: March 11, 2016

TITLE: Draft Policy Regarding Recommendations for Trustee Appointment

SUMMARY OF ITEM: Trustees have expressed an interest in adopting a Board policy regarding the manner in which the University will suggest nominees for appointment to the Board by the Governor. Historically, the Governor’s Office has sought input from the University when considering appointments to the non-designated positions on the Board.

This draft policy is based on a policy recently adopted and utilized by the Oregon State University Board of Trustees. Under this policy, the Executive and Audit Committee would serve as the committee that considers and approves recommendations to the Governor.

REQUESTED COMMITTEE ACTION: Review and discuss the draft policy, make amendments if necessary, and then approve and forward a proposed policy to the full Board for consideration.

ATTACHED DOCUMENTS: Draft policy regarding Recommendations for Trustee Appointment

BACKGROUND READING: None
Recommendations for Trustee Appointment

Under ORS 352.076, Portland State University trustees are appointed by the Governor and confirmed by the Oregon Senate. It is a goal of the Board of Trustees to recommend at-large candidates for the Governor’s consideration that meet the individual characteristics desired for the Board and complement the needs of the Board as a whole. The purpose of this policy is to guide the Board’s efforts in identifying potential candidates to recommend to the Governor for at-large Board positions.

Board Composition

The Board should be composed of members who have:

1. A commitment to public higher education;
2. A record of public or community service;
3. Knowledge of complex organizations or academic institutions;
4. Demonstrated collaborative leadership;
5. A willingness and availability for constructive engagement;
6. A commitment to open-minded, non-partisan decision-making; and
7. A record of integrity and civic virtue.

There should be a balance of perspectives, backgrounds, experience and skills among the members of the Board. These could include, but are not limited to:

1. Gender, ethnicity, age, geographic location of residence, and other expressions of diversity;
2. Unique skills and competencies;
3. Complementary skills and perspectives;
4. A broad range of professional fields (e.g., education, legal, finance, engineering, business); and
5. Knowledge of Portland State University.

Process

The process for identifying and vetting potential candidates will include the following:

A. Conduct Needs Assessment

When a vacancy on the Board is anticipated or occurs, the Executive & Audit Committee (Committee) will conduct a needs assessment by analyzing the present Board membership against the composition identified in Section III.
B. Vet Potential Candidates

Based on the Committee’s needs assessment, the President will identify potential candidates. To assist the President in identifying potential candidates, the Secretary of the Board will maintain a list of individuals submitted by sources such as Trustees, the President, senior administrators, alumni, and others. The President will vet potential candidates in consultation with the Board Officers. Vetting will include a discussion with potential candidates about the responsibilities of serving as a Trustee and their interest, readiness for nomination, and fit with the desired characteristics.

C. Present Recommendations

The President will present recommendations to the Committee for potential candidates who are willing to serve and who satisfy the needs identified by the needs assessment conducted by the Committee. If the Committee concurs with the President’s recommendations, the Chair will submit names of potential candidates on behalf of the Board of Trustees to the Governor for consideration. If the Committee does not concur with the President’s recommendations, it may direct the President to provide additional or alternative recommendations.
This page intentionally blank.
AGENDA ITEM: 5
DATE: March 11, 2016
TITLE: Amendment to Portland State University By-Laws
SUMMARY OF ITEM: The by-laws adopted by the Board on January 30, 2014 include a term limit for the Chair and Vice Chair. The Board Policy on Board Officer, also adopted on January 30, 2014, also includes a term limit. At the time, the Board discussed the value of keeping the by-laws at a high level and using Board policies to establish details that might change over time (such as committee structure, committee charters, the order of agenda items at meetings, etc.). However, the Board officer term limit provision was inadvertently left in both the by-laws and the Board policy.

The proposed amendment to the by-laws would take the term limit out of the by-laws and state that the Board can establish a term limit for its officers through Board policy. The Board policy with the two consecutive one-year term limit for Board officers would remain in place.

REQUESTED COMMITTEE ACTION: A motion to approve the proposed change to the by-laws and a recommendation that the change be approved by the full Board.

ATTACHED DOCUMENTS: Draft Revision of Portland State University Bylaws, Art. 6, §2.

BACKGROUND READING: None.
PROPOSED AMENDMENT TO PORTLAND STATE UNIVERSITY BYLAWS, ART. VI, § 2:

ARTICLE VI
BOARD OFFICERS

Section 1. Officers of the Board

The officers of the Board shall be the Chair and Vice Chair. The Board may establish additional officers of the Board as it deems necessary. All officers of the Board must be voting trustees and serve at the pleasure of the Board.

Section 2. Election and Terms

The officers of the Board shall be elected by the voting trustees. Ordinarily, the Chair and Vice Chair shall serve for one-year terms, with the possibility of re-election to a maximum of two full consecutive one-year terms. The Board may, through Board policy, establish term limits for Board officers. Any officer of the Board whose term as an officer has ended shall continue to serve until a new appointment is made.

Section 3. Chair

The Chair shall preside at all Board meetings, have the right to vote on all questions, and otherwise serve as a spokesperson for the Board. The Chair shall serve as an ex officio member of all standing committees of the Board.

Section 4. Vice Chair

In the absence of the Chair, the Vice Chair shall perform the duties of the Chair, including presiding at Board meetings. The Vice Chair shall have other duties as may be assigned by the Board or Chair from time to time.

Section 5. Resignation of Officers

Any Board officer may resign at any time by submitting a written notice to the Chair or Secretary. Such resignation shall take effect at the time specified therein or within 30 days of the date of receipt.

Section 6. Removal of Officers

Any Board officer may be removed from such office by a two-thirds majority vote of the voting trustees at a meeting of the Board called expressly for that purpose.

Section 7. Vacancies

Board officer vacancies may be filled through a special election at any meeting of the Board.