MEETING #13
June 8, 2016
Academic and Student Recreation Center
University Conference Room
9 am – 12 pm

Minutes

Committee Members Present: Rick Miller, Christine Vernier, Gale Castillo, Erica Bestpitch, Pete Nickerson, Wim Wiewel (ex officio), Irving Levin

Board Members Present: Maude Hines, Margaret Kirkpatrick

Committee Members Not Present: none.

University Staff Present: David Reese, Kevin Reynolds, Andria Johnson, Susan Klees, Shelley Winn, Cathy Kirchner, Don Forsythe, Pam Hutchins, John Fraire, Kirk Kelly, Brian Roy, Ryan Roberts, Hannah Consenz (student employee), Viron Lynch, Kathi Ketcheson, David Terry, Emma Stocker, Derek Davis, Tammy Sandburg, Jean Cavanaugh, Alan Kolibaba, Debra Clemens

1. Call to Order/Roll/Declaration of Quorum

Chair Miller called the meeting to order at 9:03 am. Roll was called and quorum established.

2. Consent Agenda

   a. **ACTION:** Approval of minutes from 3/16/2016 meeting.

      Motion to approve minutes: **Vernier** Second: **Nickerson**. Approval: **approved unanimously**

   b. Action item summary

3. Vice President’s Report

   a. Video highlighting the work of Finance & Administration employees

      Vice President Reynolds introduced a video showing the varied work of the over 400 employees who work in the Finance & Administration division. Brian Grant
from the Office of Information Technology produced the video with help from Cathy Kirchner and David Fasolino in the Vice President’s office.

b. Finance & Administration Employee Spotlight

Ryan Roberts is a Lead Electrician in the facilities maintenance electrical shop and has worked at PSU for 8 years working on a team of seven electricians and six student workers. In 2014, Ryan and his team coordinated a project that resulted in brighter and safer parking structure and pedestrian pathways, along with multiple upgrades to high performance LED lights. As a result, PSU is saving $45,000 each year in utility savings.

Hannah Consenz is a graduating student who will earn her bachelor’s degree in music this weekend. She has appreciated the many performance opportunities she has had at PSU, and feels other programs would not have given her the same amount of relevant experience. She has worked in Facilities & Property management for a year and a half.

c. Update on final dashboard. The dashboard reflects work undertaken over the last year and shows key metrics in our Education and General (E&G) funds.

Discussion: The dashboard does not show foundation or auxiliary revenue and thus represents about 60% of the university’s total resources. Those funds are included in the component units and unrestricted net assets, as well as temporarily restricted net assets.

**ACTION:** Add a definition of “CU (component unit).”

4. Budget Reports

a. 4th Week Winter Enrollment Report

Total headcount is down .7% compared to Spring term 2015, with the same decline in student credit hours (SCH). The budget was built assuming a 1.6% increase in SCH, which we are unlikely to reach with the reductions seen in Summer and Winter terms. However, revenue and cash flow are up because of a favorable student mix and additional funding from the State of Oregon.

Discussion: An update on summer enrollment was requested. Early data is showing headcount down about 1.1%, SCH down .1%. This looks a little better than expected, suggesting summer enrollment is stabilizing. Note that PSU has
more juniors and seniors than more traditional four-year universities due to our large transfer student population.

b. 3rd Quarter Financial Reports

Gross tuition revenue was down by $2.5 million largely because the budget included a larger tuition increase than was actually realized. Additionally, enrollment was down from the original target, although student fees offset some of this decrease.

Within Education and General (E&G) funds, salaries and wages were down slightly, as were benefits costs (OPE) relative to the budget.

The forecast for the end of the year shows net positive of just less than $6 million. After adding back depreciation, the current estimate is that we will generate approximately $19 million in positive cash flow.

Discussion: During the last meeting we were at +$10 million, and now we’re +$19 million.

5. Reserve Policy

The university is susceptible to financial risks that make it advisable to maintain adequate reserves. The risks include volatility of revenue streams, operational cost drivers that are beyond the university’s control, contractual obligations, business cycles, and the risk of interruption of university services.

The university would nevertheless be required to perform day-to-day operations should any of those events occur. It would need to cover debt and care for physical plant. Adequate reserves also make it possible for the university to make strategic investments.

The recommended reserve policy establishes the Primary Reserve Ratio (PRR) as the measure used to monitor the long-term financial adequacy of university reserves. The policy further establishes a timeline for achievement of specific PRR targets.

The university would set goals for the components of PRR including E&G fund balance sitting in central reserve, E&G fund balance allocated to operating divisions. Auxiliaries would need to keep three months of operating expenses, and maintain capital reserves to maintain their facilities. We would also track a treasury reserve to support debt service and maintain reserves for risk management based on historical and actuarial data.
All of those metrics were reviewed showing that meeting our ultimate goals in central reserves would require putting an additional $30 million into reserve, making it necessary to build to appropriate ratios over a five year time frame.

Discussion: A question was asked about PSU’s comparators. While they are not considered comparators for PSU, UO is at .723 and OSU is at .388, IUPUI at 1.7 (a year and a half of reserves). It should be noted that the Board of Trustees will always have the latitude to approve a budget that does not meet the targeted reserve ratios presented if there are other priorities.

ACTION: Approve resolution recommending approval by the full Board of Trustees of the Reserves Management Policy

Motion to approve: Nickerson Second: Vernier Approve: Vernier, Nickerson, Bestpitch, Castillo. Abstain: Levin (arrived after the discussion). Motion approved.

6. Break

7. FY17 Budget

a. Recommended Operating Budget for Fiscal Year 2016-2017

The context for the budget setting process this year included:

- Balanced budget
- Replenish reserves
- PBB principles
  - Forecasting flat enrollment
  - Adjustment to academic affairs to account for actual FY16 missing target
- There were strategic investments made during the year that totaled $7.42 million.

Discussion: The largest risk inherent in this budget is the enrollment projections. To mitigate this risk, the budget presented adds to university general reserves that could be used to cover any enrollment decline. As Fall enrollment is currently tracking, it is not likely that we will see a decline in non-resident students, while there may be a reduction in resident freshmen. This is a small population at PSU.
b. **Resolution Recommending Approval of the University’s FY16-17 Operating Budget**

**ACTION:** Approve resolution recommending approval by the full Board of Trustees of the University’s FY16-17 Operating Budget

Motion to approve: **Vernier**  Second: **Castillo**  Approval: **approved unanimously**

8. **Risk Analysis Presentation**

   a. University Risk Manager, Brian Roy, presented an assessment of risks the university faces. For clarification, the Internal Audit department under the direction of David Terry focuses on financial risks and those associated with compliance. The purpose of the report presented today is to identify broad risks faced by the university and the mitigation strategies in place and being developed.

   Methodology: 15 campus stakeholders were interviewed to determine risks faced by the university. Risks were plotted considering their likelihood and severity, and the number of times they were identified as risks.

   The two categories with the highest risk scores are IT vulnerability and emergency preparedness. The assessment and heat map presented allow the university to begin developing mitigation strategies.

   b. Kirk Kelly, AVP and CIO, presented information on information security.

   University information systems include approximately one million identities and 150,000 social security numbers and other personally identifiable information. Federal and state laws require us to protect this and other information contained in our systems. Risks to the university include legal and reputational repercussions.

   Phishing and ransomware present constant threats to university and individual data security. A variety of approaches are in place to help mitigate this risk including technical controls, increased training to prevent phishing, and improved processes to address threats.

   Additional threats include natural disasters or equipment malfunctions. To mitigate against these risks, OIT is migrating to Amazon Web Services, a cloud based system with significant national and international redundancy.

9. **2016-2017 Finance & Administration Committee Work Plan**

   Due to a lack of time, this discussion was postponed to a later meeting.
10. Questions and Comments

11. Adjourn

   Chair Miller adjourned the meeting at 12:10 pm