

MINUTES

Trustees Present:

Steve Sliwa, Chair	Bill Goloski (via phone)	Jay Kenton, Interim Pres.
Jessica Gomez (via phone)	Vince Jones	

University Staff and Faculty Present:

Lita Colligan, AVP Strategic Partnerships
Thom Darrah, Facilities Project and Planning Manager
Erin Foley, VP Student Affairs/Dean of Students
Brian Fox, VP Finance and Administration
LeAnn Maupin, Acting Provost/Dean of the College of HAS
Michelle Meyer, Director of Business Affairs
Steve Neihsel, VP Strategic Enrollment Management
Hallie Neupert, Interim Dean of the College of ETM/Department Chair
Tracy Ricketts, AVP of Development and Alumni Relations
Di Saunders, AVP Marketing and Public Relations
Terri Torres, Mathematics Associate Professor

Others Present:

Matt Appleby, BBT Architects
Jean Bushong, Clifton Larsen Allen
Dr. Nagi Naganathan, President Designate

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

Chair Sliwa called the meeting to order at 9:05am. The Secretary called roll and a quorum was declared.

2. Consent Agenda

2.1 Approve Minutes of November 15, 2016 Meeting

With the acknowledgment of a Scribner's error to the amount of funds mentioned in the motion in section 4.1 Action Items: \$7,500,000 (\$7.5B) should be \$7,500,000 (\$7.5M), the minutes were approved.

The correct motion reads: Trustee Gomez moved to recommend the Board approve the creation and funding of a quasi-endowment fund from the E&G Fund at a level of \$7,500,000 and set the spending policy at a four percent annual spend rate.

3. Reports

3.1 Fiscal Operations Advisory Council

Chair Sliwa requested a standing report from the FOAC group. **FOAC Chair, Terri Torres** explained the makeup of the group and that she represents faculty. She stated some of the concerns of the Council in the past have been Athletics and the soccer field project, specifically whether the Athletic Department has adequate funding. Other concerns are an analysis of Wilsonville's contributions and the difficulty hiring adjuncts and faculty; the lack of an equipment replacement plan; learning to understand tuition setting; and getting faculty salaries on level with where they should be. She stated there is an increase in communication between administration and the FOAC Chair. She feels faculty concerns are being heard and addressed and explained that information from FOAC is disseminated back to faculty at faculty meetings but mostly through informal conversations in the hallways. **VPFA Fox** stated FOAC meetings are held approximately three to four weeks prior to F&F Committee meetings so he can cover the same information that the board will here.

3.2 Finance, Facilities and Audit Status: Quarterly Review

VPFA Fox walked through the report calling out that it is still under development. Discussion regarding construction timelines and funding of projects.

Manager Darrah walked through the structure of the Facilities spreadsheet. **Chair Sliwa** requested staff take steps to ensure all procurement rules are followed to prevent businesses from contacting the President, Trustees, and Foundation members regarding projects. **VPFA Fox** stated staff will add red, yellow, green quick visuals to identify if projects are on budget or have issues; issue report quarterly to the committee quarterly and contact the committee if they see an issue on a monthly report; and add a section for notes on the spreadsheet. Staff is working to establish systematic reporting structures for trustees and executive staff. There is a plan to spend down deferred maintenance funds.

VPFA Fox explained the internal audit is mid-process and will be complete in a month; they will focus on Financial Aid and report back at the next meeting. External auditors completed the financial audit and single audit; close out anticipated in November.

4. Action Items

4.1 Recommendation to the Full Board to Approve the Procurement of Diagnostic Equipment and Authorize the President, or Designee, to Enter into a Contract in Excess of One Million Dollars

Interim Provost/Dean Maupin explained the history of the acquisition of equipment and the types and importance of equipment leased for various programs in the Martha Anne Dow Center for Health Professions. She stated the amount is \$1.5m for 25 systems over a 5-year period and the contract was awarded to Mind-Ray with a 5-year warranty.

Dr. Naganathan asked if there was a discount offered in exchange for the naming rights. **Interim Provost/Dean Maupin** stated there are two rooms in the DOW Center with Toshiba's name from the original lease. There is no expiration date for the naming rights.

VPFA Fox clarified the amount of the lease is budgeted over 5 years.

Trustee Jones moved to recommend the full board approve the procurement of diagnostic equipment and authorize the President, or designee, to enter into a contract in excess of one million dollars. Trustee Gomez seconded the motion. With all trustees present voting aye, the motion passed unanimously.

Discussion regarding the process. **Trustee Sliwa** suggested that if items are previously approved in the budget then it is in the President's authority to spend the amount. **VPFA Fox** will call out the projects estimated to be in excess of \$1M when the budget is brought before the Committee.

4.2 Recommendation to the Full Board to Adopt a Quasi-Endowment Investment Policy

VPFA Fox provided a brief overview of the proposed policy. A quasi-endowment was established as an accounting entity and funds were moved from the E&G Fund to the quasi-endowment on January 1, 2017. The funds continue to be invested in the Public University Fund (PUF) and a Board adopted Investment Policy is required to move the funds into a different investment class or allocation. It is proposed to continue the relationship with the Oregon Treasury and USSE as the investment managers. The policy was written to limit the asset classes to those offered by the Oregon Treasury; for conservative management and long-term investment to preserve the capital. He will distribute quarterly USSE reports to the committee and request a presentation at least once a year. The Investment Advisor and Investment Manager are the same person so long as the Oregon Treasury is used. The Designee reports to the Board. Spending distribution of 4% per year is authorized to shift into General Fund for use by the president.

Discussion regarding who controls investments; the investment agreement with Oregon State University to handle the PUF; and OSU's unilateral decision to divest from fossil fuels. **Trustee Gomez** suggested the committee review the PUF annually and make a determination to stay with OSU.

Proposed amendments:

3.0 Responsibility of the Board

The role of the Board is to recommend broad investment goals to the investment Advisor, as outlined in this Policy, including spending rate information and to provide input into the asset allocation process.

9.2.1 Subject to the terms and conditions of this Policy ~~and conditions of this Policy~~ and the investment management agreement...

Trustee Jones moved to recommend to the full board to adopt a quasi-endowment investment policy with the proposed changes to sections 3.0 and 9.2.1. Trustee

Goloski seconded the motion. With all trustees present voting aye, the motion passed unanimously.

BREAK 10:35am – 10:45am

5. Discussion Items

5.1 Annual Financial and Single Audit Report

VPFA Fox introduced **Jean Bushong, Clifton Larsen Allen Partner and Lead Oregon Tech Auditor**, and stated there were three findings in the annual financial audit, the single audit recommended the university focus on financial aid, and an unmodified audit was issued. **Ms. Bushong** walked through the scope of the audit highlighting the 2016 changes: \$44M increase to net position from the removal of state paid debt, and the change of the net pension (PERS) from an asset to a liability. She highlighted some of the notes: depreciation outpaced purchases for capital, and there is a great deal of sensitivity in the estimated percentage related to the net pension asset.

Single audit of federal programs was focused on Financial Aid. Financial Reporting report: one significant deficiency which has since been remedied: Segregation of Duties - IT programmers were able to put things into production without going through the normal approval cue. Student Financial Aid report: a clean/unmodified opinion was issued. Two findings: Global finding – report information to NSLDS through NSC (third party) and respond within 10 days. Issues with uploading information from NSC to NSLDS were not resolved within the timeline. FSEOG Grant based on lowest level of family income – one particular student was mistakenly awarded the grant. A management letter was issued identified two employees who could process payroll but others were monitoring compensating controls. Recommendation to alter practice.

Discussion regarding the need to find a balance of internal controls; look at restrictions versus functionality and streamlined processes.

5.2 2017-19 Biennium Budget and Legislative Update

AVP Colligan walked through her report. The Public University Support Fund (our operating fund) is in the Governor's Budget at \$667M, leaving the seven universities \$100M short based on continued service levels. Senator Betsy Johnson is proposing \$9M in additional funding (beyond the \$1.6M in Business Oregon budget) for OMIC: \$4.5M for site development and building improvements and \$4.5M for equipment purchases; she is asking all of the universities to lobby on this effort. Majority of the public universities will request tuition increases in the double digits; the Legislature has discussed capping tuition increases.

5.3 Tuition Setting and Budget Update, and Priority Discussion

VPFA Fox explained the process for developing a budget and related principles, and the process for developing a tuition recommendation and the related principles. He stated it is likely HECC or Legislative approval will be required as the recommendation for tuition increase could be greater than 5%. He walked through the timeline, explaining HECC will

hear tuition increases on May 13 which could require this Board to hold an additional Executive committee and Board meeting.

Vice Chair Sliwa recommended the inclusion of a statement that tuition should be set at a rate that is appropriate to the market, and to do that a market analysis is necessary. Discussion about comparator and competitor markets. He suggested the first priority be the market response. **Trustee Gomez** stated private colleges do not have the same constraints as public universities and yet Oregon Tech needs to act as a private institution due to decreased public funding. **Trustee Goloski** requested the forums be well advertised and expressed concern that current students could be priced out which hurts retention.

VPFA Fox walked through various funding scenarios, stating enrollment needs to increase and costs need to be managed (increase in credit hour loads in classes); the budget proposed this year will likely show deficit spending; PERS increases will be multi-biennial; and staff's focus is on building decision support tools.

5.4 **Cornett Hall Project Update**

Matt Appleby, BBT Architects project architect, walked through the timeline of the project, the need to cost out the project based on conceptual designs, and the existing and proposed uses/layouts. The focus is to create a safe, clean learning environment. The structure has a 96,800SF footprint and the budget is \$9M. Discussion regarding second floor classrooms, uses of the structure, the potential need for high-bay space, and the schedule for renovation.

5.5. **Academic Equipment Update**

Dean Neupert stated faculty projected their 5-year equipment needs and allocations were made based on mission alignment, program maintenance and growth based on market demand, and maintaining program quality. She walked through the equipment list that is evenly split between the two colleges and does not include the lease of the imaging equipment.

6. **Other Business/New Business - no new business.**

7. **Adjournment**

Chair Sliwa adjourned the meeting at 12:27pm.

Respectfully submitted,



Sandra Fox
Board Secretary