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**Finance and Facilities Committee  
also Sitting as the Audit Committee  
MINUTES**

**Trustees Present:**

Vince Jones, Chair  
Jessica Gomez (via Skype)

Nagi Naganathan, President  
Grace Rusth

Paul Stewart

**Other Trustees Present:**

Mike Starr

**University Faculty and Staff Present:**

Steve Addison, Director of Oregon Tech Seattle, Interim Chair MMET (via Skype)  
Richard Bailey, FOAC Chair/Associate Professor Mathematics (via Skype)  
Richard Cornwell, Director of Business Affairs Office (via Skype in Klamath Falls)  
Brian Fox, VP of Finance and Administration  
Dave Groff, Legal Counsel  
Tom Keyser, Dean of the ETM College  
Brittany Miles, AVP Government Relations  
Stephanie Pope, AVP of Budget and Resource Planning  
Erika Veth, AVP of Strategic Enrollment Management

**Others Present:**

Jean Bushong, CliftenLarsenAllen

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

**Chair Jones called the meeting to order at 8:00am. The Secretary called roll and a quorum was declared. Chair Jones** welcomed Trustee Starr and explained a recommendation to the Board to appoint Mr. Starr to this committee will occur later today; he is encouraged to participate but is not able to vote yet.

**2. Consent Agenda****2.1 Approval of Minutes of the November 15, 2018 Meeting**

**With no amendments, the meeting minutes stand as published.**

### 3. Reports

#### 3.1 Fiscal Operations Advisory Council

**FOAC Chair Bailey** explained the Council worked on budget development principles and found the strategic enrollment management proposal to increase the budget by \$750,000, the OMIC proposals, and the capital projects to be in-line with the principles. He shared faculty's request to ensure continued replacement of outdated classroom technology in light of CIO Jones' retirement. He stated the tuition recommendation committee is meeting and there is concern over the Governor's base budget and decreased revenue to the university. Future Council agenda items include review of the Foundation's report for capital campaign, audit update, governor's budget update, and mid-year budget and adjustments to that budget.

### 4. Action Items

#### 4.1 Approval of FY 2019 Committee Work Plan

**VPFA Brian Fox** explained the changes to the current work plan including the delay of tuition setting to the May meeting and addressing an expense ratio analysis to see where we are in comparison to other institutions, in March. He outlined the plan for next year.

**Trustee Stewart moved to approve the FY 2019 Committee Work Plan as presented in the agenda. Trustee Rusth seconded the motion. With all trustees present voting aye, the motion passed unanimously.**

#### 4.2 Adoption of FY 2020 Budget Development Goals

**VPFA Fox** gave a PowerPoint presentation identifying the goals and explained the three budget scenario requests of +3%, flat, and -5% changes to assist prioritization of investments. He stated there is a need to transition from reliance on state funding to a more sustainable source. **Trustee Starr** asked if staff and faculty understand what the annual escalation is and the challenge the university is facing as far as budget pressures, knowing even a 5% decrease might not meet the budget pressures facing the university. **VPFA Fox** stated there is some understanding of the PEBB and PERS pressures but more can be explained when budget personnel meet with the chairs, and FOAC is also another means to educate the faculty. He gave an overview of the budget development goals: focus on recruiting and retaining students, invest in core infrastructure, align programs with industry output/demand, manage operating efficiencies, and balance short-term efficiencies. The goals will be distributed to campus. **Trustee Stewart** stated the long-term goal is sustainability and these budget goals are a means to achieve sustainability.

**Trustee Stewart moved to adopt the FY 2020 Budget Development Principles as presented in the agenda. Trustee Rusth seconded the motion. With all trustees present voting aye, the motion passed unanimously.**

#### 4.3 Recommendation to the Board to Adopt a Mid-Year Adjusted Budget

**VPFA Fox** explained the previous committee chair suggested bringing a mid-year budget to show how resources are spent and, unlike the previous year where a deficit budget was approved and we ended up in the black, this year we will end the year in the red due to bold strategic investments. He showed a PowerPoint presentation identifying the original 2019 budget goals aligned with the short-term action goals, the approved budget, and the forecast of where the year will end financially. He gave an overview of the large strategic

investments. **Trustee Stewart** voiced his concern that the deficit budget funding is being spent on ongoing costs rather than one-time investments. **President Naganathan** explained there are revenue streams associated with the on-going investments.

**Trustee Rusth** moved to recommend the board adopt the mid-year adjusted budget as presented in the agenda. **Trustee Gomez** seconded the motion. With all trustees present voting aye, the motion passed unanimously.

#### 4.4 Recommendation to the Board to Adopt a Special Tuition Rate (Boeing) 1:30

**Director/Chair Addison** explained there is no established tuition rate to teach Boeing employees in Washington but rather an agreed upon tuition rate. He stated the proposal is coming forward separate from the other tuition processes, the program is not associated with an academic year, and students do not receive federal funding, so it is possible to amend tuition at any time. The proposed increase at this time is 5.5% and is based on historical data and comparable institutions. **Trustee Starr** stated he is very familiar with the programs and appreciated the location, timing and conveniences. He suggested tying the increases to an index with a competitor to avoid having to return to the Board every time a change is proposed. **VPFA Fox** stated Boeing tuition will be incorporated into the same cycle as our other tuition but not called out separately. **President Naganathan** stated this program will not be addressed in the SEM efforts.

**Trustee Stewart** moved to recommend the board adopt a special tuition rate for Boeing as presented in the agenda, to begin summer term 2019. **Trustee Rusth** seconded the motion. With all Trustees present voting aye, the motion passed unanimously.

#### 4.5 Acceptance of the Annual Financial and Single Item Audit Report

**Jean Bushong, Cliften Larsen Allen** showed a PowerPoint presentation summarizing the findings of the financial and the single audit report focused on the federal funding and the student financial aid program. She outlined the responsibilities of CLA: to let the committee know if the financial statements are free from material misstatement due to error, fraud or non-compliance. She summarized the results of each report stating the financial statements are free from material misstatements. She noted changes in OPEBB and the termination of the Perkins Revolving Loan fund that add liabilities to the university. She noted three deficiencies: control weakness that should be resolved with the current Banner upgrade, payroll process weaknesses, and the change of allocation of OMIC membership revenue stream from last year. She identified one finding in the single audit: the inability to meet the 45-day return requirement of the Title IV process. She recommended the university adopt a policy to address the process of returning funds to the Department of Education when a student drops out. She also identified the university overdrew federal funds through the grant programs. **VPFA Fox** stated the grant management process has changed to avoid this from reoccurring. **Ms. Bushong** recommended training or an annual reminder to faculty and staff of their reporting responsibilities when it comes to fraud, waste and abuse. She suggested the university adopt a policy for issuing manual checks. She mentioned upcoming changes to GASB standards, Moody's outlook on higher education trends, federal tax reform implications, unrelated business income tax issues, and the Graham Leach Act.

**Trustee Rusth moved to accept the 2018 annual financial and single item audit reports as published. Trustee Stewart seconded the motion. With all trustees present voting aye, the motion passed unanimously.**

**5. Discussion Items**

**5.1 State Budget Update and Timeline**

**AVP Brittany Miles** gave an update on the governor's two budget scenarios: a base budget and her proposed investment package to take place in the form of a ballot measure. **Trustee Gomez** voiced her concern about the tuition setting process given the instability and unpredictability of the budget; she would like to give the students and parents an idea of what tuition might be to prevent variability. **VPFA Fox** stated staff would like to postpone the Board's decision on setting tuition to its May meeting to try and obtain additional information and avoid proposing a range for tuition. He explained there are not many areas where expenses can be cut as most expenses are benefit related (PEBB and PERS) and take 3-4 years to change.

**6. Other Business/New Business - none**

**7. Adjournment**

**The meeting was adjourned at 10:28am.**

Respectfully submitted,



Sandra Fox  
Board Secretary