



**Board of Trustees  
Finance and Administration Committee Meeting**

**Thursday, November 17, 2016  
4:00 p.m. – 6:00 p.m. (or until business concludes)  
DeBoer Room, Hannon Library**

**MINUTES**

**Call to Order and Preliminary Business**

In Chair Paul Nicholson's scheduled absence, Trustee Dennis Slattery called the meeting to order at 4:01 p.m.

The following committee members were present: Lyn Hennion, April Sevcik, Dennis Slattery and Steve Vincent. Trustee Les AuCoin participated by videoconference. The following members were absent: Paul Nicholson and Jeremy Nootenboom. Trustee Bill Thorndike attended the meeting and Trustee Linda Schott (ex officio) participated by teleconference.

Other meeting guests included: Craig Morris, Vice President for Finance and Administration; Dr. Susan Walsh, Provost and Vice President for Academic and Student Affairs; Penny Burgess, USSE, Director of Treasury Services (via videoconference); Janet Fratella, Vice President for Development; Dr. Matt Stillman, University Registrar, Co-Executive Director of Student Enrollment; Ryan Schnobrich, Internal Auditor; Drew Gilliland, Director of Facilities Management and Planning; Roxane Beigel-Coryell, Sustainability and Recycling Coordinator; Partha Chatterjee, Senior Budget Analyst; Shane Hunter, Senior Financial Management Analyst; Jeanne Stallman, Executive Director of Outreach and Engagement; Vicki Forehand, SOU; Steve Larvick, Director of Business Services; Jim Chamberlain; John Stevenson, User Support Manager; Don Hill, Classroom and Media Services Manager; Sabrina Prud'homme, Board Secretary; and Kathy Park, Executive Assistant.

Trustee Sevcik moved to approve the October 20, 2016 meeting minutes as drafted. Trustee Vincent seconded the motion and it passed unanimously.

**Public Comment**

There was no public comment.

**Vice President's Report**

Regarding the committee dashboard, Craig Morris said cash is back on target and the timing issue mentioned previously has resolved itself. The state no longer passes

construction cash to SOU; instead, SOU gets reimbursed by the Oregon Department of Administrative Services. As a result, SOU will continue to appear down on cash, but likely is on target. Although labor is slightly ahead of the burn rate, Mr. Morris said he is relatively confident SOU will catch up on the difference in the summer.

Dr. Matt Stillman provided an enrollment and admissions overview. He noted that fourth week data is now official; it is not end of term data but is used by the HECC. Headcount and FTE are still down; non-resident students and students of color are up slightly from last fall. Dr. Stillman noted California is still booming for SOU as an enrollment growth area. As previously requested, information on community college transfers was broken out; KCC transfers are up sharply whereas RCC transfers are pretty flat. Looking at current seventh week data, SOU is well ahead of retrenchment demarcation points.

Dr. Stillman discussed some recent enrollment efforts. They are pushing winter term registration. The Provost's Office and Enrollment Services collaborated to provide academic course schedule information to students earlier, which generated very positive responses. They are cleaning up the financial aid process. They are seeking statewide data to compare institutions and to determine the impact of the Oregon Promise. Lastly, they are considering enrollment activities, especially regarding student mix.

Transitioning to admissions data for fall 2017, Dr. Stillman said they are very happy with what they are seeing but remain cautiously optimistic. Admits are up sharply compared to last fall and historically. Applications are up significantly, primarily from Oregon residents, likely due to recruiting efforts that are coming to fruition; he specifically mentioned the recruiter for the Portland area. He added, the largest preview day in SOU's history would be the following day and encouraged trustees to attend. The new Raider on the Spot program is getting a lot of traction. Responding to Trustee Vincent's inquiry, Dr. Stillman said the overall retention rate for this fall is flat to down a bit.

Trustee AuCoin asked about an article President Schott disseminated regarding nontraditional students and where opportunities might be for recruitment among them. Dr. Susan Walsh said she and President Schott are having long discussions about adult learners; how SOU can explore that population more fully; growing the Innovation and Leadership Program; exploring other nontraditional groups; adding later start courses to catch those who do not track in the traditional way; and looking at Stanford's learn and earn model, all in an effort to increase the student population base. Responding to Trustee AuCoin's follow-up inquiry regarding whether SOU has enough personnel to take on those responsibilities, Dr. Walsh said SOU is working with an enrollment expert. President Schott added they are beginning to explore a noncredit market to generate revenue. She is having early, positive conversations with a local employer, Asante, on how SOU could meet its training needs. Asante spends \$250,000 on tuition reimbursement and would love to keep it in the valley. She thought it was too early to talk about staffing but different avenues are being explored and they are proceeding carefully.

Trustee Slattery asked how big the freshman class would have to be before SOU starts turning students away and if it is even a meaningful number. In terms of classroom capacity, Mr. Morris said, there is no problem. However, there could be a problem with faculty capacity if enrollment grew substantially. To determine that number, as part of its strategic planning process, SOU would have to decide how big it wanted total enrollment to be; SOU could then determine how large each freshman class needed to be. Responding to Trustee Vincent's follow up question, Dr. Walsh said programs are ranked by opportunity margins, which helps SOU determine how to invest in each program. For example, the Outdoor Adventure Leadership program is bursting at the seams and SOU has made an intentional decision to grow that particular program.

Responding to Trustee Thorndike's comment regarding WOU's decision to no longer require ACT or SAT scores for admission, Dr. Walsh said the issue arose at the Provosts' Council and was a bit controversial. She added that, instead of requiring entry exams, WOU will have an outside assessment tool determine if students have the qualifications to be admitted. Responding to Trustee Sevcik's inquiry, Dr. Walsh said SOU has different mechanisms to get students in the door whose qualifications might not be as high as others (e.g., conditional admits) and does not turn away many students.

Sabrina Prud'homme then discussed proposed revisions to committee meeting schedules, as detailed in the meeting materials. She said the subject was discussed at the board's retreat and by the internal work group and any proposals would be brought before the board in January for adoption. The goal was to develop a proposal for the board and the committees to meet less frequently than they did the past year but still fulfill their functions, get their work done and achieve their objectives. The board's regular meeting schedule would remain unchanged. The Academic and Student Affairs Committee favors meeting once per quarter but extending the duration of the meeting if needed. The Finance and Administration Committee cited the need to meet more frequently than that, especially when the budget is being developed. Discussion ensued on the proposed meeting schedule for the Finance and Administration Committee as detailed in the meeting materials and there was a general consensus that it would be worth trying.

Turning to the president's residence, Mr. Morris said they hope to have President Schott and her family moved in by the end of January. The kitchen renovations have begun. The 35 new windows have been ordered; each window has to be custom fabricated. The current windows are 66 years old and are original to the house. Many do not open and close and, in the winter, ice develops inside on some of them. Mr. Morris said the entire amount projected has been spent on those two projects and the downstairs bath still needs to be renovated for another \$40,000-\$50,000. Mr. Morris and Drew Gilliland have had conversations about high labor costs and that local contractors are not bidding on small residential projects because of the complexities associated with doing business with a state agency. Mr. Morris added that Mr. Gilliland and his staff are working to keep costs as low as possible (e.g. reusing cabinets) while still doing a quality job.

### **Endowment Investment Policy (Action)**

Trustee Slattery highlighted the history of this action item. In the June meeting, this committee identified the need to convene a smaller group to analyze the endowment investment policy Penny Burgess presented at that time. Trustee Sevcik led the group, which included Trustees Hennion and Slattery, Mr. Morris and Ms. Burgess. The work group met and put forth this policy as an information item in September. The committee was asked to make a recommendation to the full board for adoption. Trustee Sevcik said the state and universities extensively vetted the policy and the committee's work group only made minor wordsmithing changes, which she discussed.

Trustee Sevcik moved that the Finance and Administration Committee approve the Endowment Investment Policy as drafted and, with this motion, the committee recommend the full board review and adopt the revised policy. Trustee Hennion seconded the motion and it was approved unanimously.

### **Public University Fund Recommended Investment Policy Change: Divestment of Fossil Fuels Strategy (Action)**

Introducing the item, Trustee Slattery said the committee would receive information about the divestment of fossil fuels and make a recommendation on if and how the board would like to support this proposed divestment.

Mr. Morris said six of the seven universities invest their operating funds through the Public University Fund (PUF). When the PUF was formed, one board had to be in charge and the university presidents decided it would be the Oregon State University (OSU) board. Last spring, President Ed Ray asked the other university presidents if the PUF should be divested from investments in fossil fuels; the presidents unanimously agreed that divestment should happen. The issue went to the OSU Finance Committee last month but the committee did not take action because the members did not feel there was a policy in place to govern these types of transactions. The OSU board decided not to act and asked OSU staff to develop a new policy to guide them and present the proposed policy at the board's January meeting. Ms. Burgess added that OSU is calling it a framework to help guide the divestment of fossil fuels and future policy changes.

The OSU Vice President for Finance and Administration said his board feels it has been told by the participating universities to divest from fossil fuels. Mr. Morris advised him that the SOU trustees would likely want the framework to require the OSU board to reach out to institutions every time a decision like this is being made.

Given that the PUF is a commingled fund, Trustee Hennion asked if SOU could do something different from the other five universities. Ms. Burgess said SOU could not, that all universities have the same allocation between the three investment pools but she could look into it if SOU wanted to pursue that strategy. Ms. Burgess explained that one large benefit to all six universities pooling their assets is that they can be allocated in longer-dated, fixed income securities. If SOU wants to pursue its own investment

strategy, the income potential would likely be less. Responding to Trustee Sevcik's inquiry about the fossil fuel free fund, Ms. Burgess said the proposal is to take securities from the intermediate and long term pools and move them to the fossil fuel free fund. The Oregon state treasury does the investment management and would continue to do so. Responding to Trustee AuCoin's inquiry about the specific proposed change, Ms. Burgess provided background information on the current lack of restrictions on investing in fossil fuel-related companies and the need to design a new investment portfolio to begin a divestment from fossil fuel exposure. She said the OSU board chair may request a formal letter from SOU's board chair indicating SOU's position on this proposal.

Trustee Hennion expressed her two philosophical problems. First, if a portion of the portfolio is six years-plus at 25 percent in the longer term and the measure passed to allow universities to invest in equities, is it necessary to keep it all in fixed income? Ms. Burgess replied that, for the universities' operating assets, the objective of the current investment policy is to preserve capital and earn a higher return than they could on their own and it does not allow investments in equities. Trustee Hennion wanted the universities to pursue further discussion on that point. Trustee Hennion's second philosophical problem was, if the universities no longer invest in fossil fuels, what is next in social investing?

Addressing some of Trustee Hennion's questions, Mr. Morris discussed the concept of separating and separate investing. The PUF was formed before the universities' independent boards existed. The universities, except U of O, decided they wanted to bank and invest together and signed agreements to that effect. If SOU wanted to separate from the group, those agreements would have to be renegotiated. He did not believe the current agreements would permit SOU to stay in the PUF but carve out its dollars in the ways SOU wanted them to be invested. Mr. Catz recalled that there was an intended unity of action to avoid having to manage six funds within the PUF. Ms. Burgess added that the universities can decide how much to invest in the PUF and how much to invest in other strategies. If a university wishes to change or withdraw its investment in the PUF, it must give a six-month notice. The banking agreement includes the opportunity for the universities to explore separate investment strategies.

Mr. Morris explained that all six universities wish to divest from investments in fossil fuels because of the huge student movement on all six campuses regarding this issue. Trustee AuCoin concurred in the importance of Mr. Morris calling attention to the optics for this generation and agreed with the decision the presidents previously made. Mr. Morris said the board needs to weigh in on the final framework.

Trustee Hennion stressed that, instead of referring to investing in just fossil fuel free securities, the board should talk about weighting things that are more environmentally friendly and speak more broadly to include investment possibilities beyond fossil fuel free securities. Trustee Slattery clarified that Trustee Hennion wanted the board's position to be that the framework should address what it stands for, not what it is against.

Trustee Slattery then asked whether the committee members supported the idea enough to make a recommendation to the board. Mr. Morris recommended that the committee decide if it wants to provide advice to the OSU board on the nature of the framework and suggest that the OSU board reach out to participating universities for input on future investment strategies. Ms. Prud'homme thought the proper way to provide such advice would be communication from Chair Thorndike, based on the committee's advice, to the OSU board chair. Ms. Burgess concurred with that approach and thought the OSU board would welcome and incorporate such input.

Trustee Slattery suggested that the committee recommend that Chair Thorndike cause such a letter to be created. Ms. Prud'homme clarified the will of the committee: the framework should reflect what the universities stand for not against and address issues broadly beyond that of fossil fuels.

### **Endowment Investment Report, Fourth Quarter**

Since the committee members had the opportunity to read the endowment investment report in the meeting materials, Ms. Burgess offered to answer any questions. There were none. However, Trustee Hennion inquired about receiving reports in a more timely manner and Ms. Burgess said she would provide them to the Board Secretary.

### **Review of Updated Pro Forma**

Reviewing the updated pro forma, Mark Denney stressed its current "under construction" status. He showed the added functionality of the static and dynamic columns for the future biennia and demonstrated the \$616 million level of state funding. Discussing the \$616 million worst case scenario, Mr. Morris said members of the Legislative Action Committee shared their opinion that the governor's recommended budget for public universities would include a PUSF budget between \$610 to \$620 million. It, therefore, appears the universities will be looking at the worst case scenario. However, the universities will still work with the legislature to get something better than that.

Mr. Denney next highlighted labor figures, noting that labor figures are the most challenging piece of the pro forma. If labor is over or under projected by a significant amount, the committee's decision on a tuition issue is impacted by what is reflected on the pro forma. The labor figures on the pro forma have increased since the last meeting due to an increased level of detail built-in for each category of employee, new PERS retirement rates and projected increases in medical rates. At this point, Mr. Denney said he feels comfortable with the process but not yet with the number. Responding to Trustee Sevcik's inquiry, Mr. Denney said the increase in labor is mostly due to the 7 percent increase in PERS but there is also a 3 percent salary increase. Responding to Trustee AuCoin's inquiry, Mr. Denney said there are no assumptions on any increase in faculty or administrators; however, within the assumptions tab, trustees will have the ability to manipulate those numbers.

Discussing assumptions, Mr. Denney said there are no numbers built into remissions but

the pro forma is structured so users can manipulate the percentage or dollar amount of tuition remissions. On the labor assumption, Mr. Denney reviewed the categories of the ELUs for faculty and discussion ensued on ELUs, release categories and SCH taught. Mr. Morris said the take away is that the completed pro forma will provide a dynamic ability to forecast the labor side of the equation in a way not possible before.

Responding to Trustee AuCoin's inquiry, Mr. Denney said budget requests for faculty positions would go through the provost's office through a very complex process and requests for administrative positions could come through anywhere depending on the specific proposal. Mr. Morris confirmed that, if there is or is not an administrator FTE increase, the board can assume that carries the president's seal of approval because she is ultimately the authority and the responsible party for the budget.

### **Pension Overview and Total Pension Liability**

Due to a lack of time, this presentation was postponed to a later date.

### **Future Meetings**

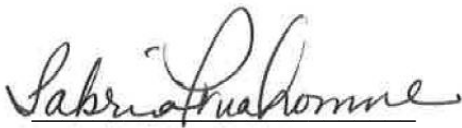
Trustee Slattery advised committee members there would be no meeting in December. For the January meeting, potential agenda items may include initial enrollment projections for fall 2017; budget assumptions, including some early discussions on tuition; a review of the pro forma; and pension liability.

### **Adjourn**

Trustee Slattery adjourned the meeting at 5:57 p.m.

Date: January 19, 2017

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme". The signature is written in dark ink and is positioned above the printed name and title.

Sabrina Prud'homme  
University Board Secretary