



August 30, 2017

TO: The Board of Trustees of the University of Oregon

FR: Angela Wilhelms, Secretary

RE: Notice of Executive and Audit Committee Meeting

The Executive and Audit Committee of the Board of Trustees of the University of Oregon will hold a public meeting on the date and at the location set forth below. Subjects of the meeting will include: the quarterly audit report, FY17 expenditure re-authorization, and a report on President Schill's annual evaluation.

The meeting will occur as follows:

Thursday, September 7, 2017 at 1:30 pm
Ford Alumni Center, Giustina Ballroom

The meeting will be webcast, with a link available at www.trustees.uoregon.edu/meetings.

The Ford Alumni Center is located at 1720 East 13th Avenue, Eugene, Oregon. If special accommodations are required, please contact Amanda Hatch at (541) 346-3013 at least 72 hours in advance.

BOARD OF TRUSTEES

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**Board of Trustees of the University of Oregon
Executive and Audit Committee
Public Meeting
1:30 pm – Thursday, September 7, 2017
Ford Alumni Center, Giustina Ballroom**

Convene

- Call to order, roll call
- Approval of June 2017 EAC minutes (Action)

- 1. Quarterly Audit Report:** Trisha Burnett, Chief Auditor
- 2. FY17 Expenditure Re-Authorization (Action):** Jamie Moffitt, Vice President for Finance and Administration and CFO
- 3. President's Annual Evaluation – Report:** Chuck Lillis, Chair; Ginevra Ralph, Vice Chair

Meeting Adjourns



Agenda Item #1

Quarterly Audit Report

The quarterly audit report will be provided at the meeting.



Agenda Item #2

FY17 Expenditure Re-Authorization

At its meeting in June 2016, the Board of Trustees adopted a FY17 expenditure authorization of \$966,104,000 for operations and \$83,700,000 for capital projects. The resolution included authorization for the university to expend an additional three (3) percent on top of these projected estimates without additional approval by the Board.

In preparing the final FY17 financial reports, several extraordinary expenditures, unanticipated in June 2016, culminated to cause the university to exceed its authorized annual expenditure limitation.

Operating Budget Summary:

	BOT Approved Expenditure Authority	Total Expenditures	Actual as % of Authority
E&G Fund	\$505,954,000	\$507,704,818	100.3%
Other Funds	\$460,150,000	\$495,907,107	107.8%
Total	\$966,104,000	\$1,003,611,925	103.9%

Note: All figures exclude Plant Funds, Internal Bank Funds, and Depreciation

The unanticipated items referenced above include:

- Replacement of the football coaching staff.** The primary expenses associated with the replacement of the football coaching staff were contractually-obligated payments to the prior staff for liquidated damages. In total, \$13.0 million of expenses were incurred in Other Funds.
- Process/accounting change related to Incidental Fee accounting.** In FY17, the Erb Memorial Union (EMU) changed its process for distributing Incidental Fee revenues. Rather than transferring revenue to the various groups funded by the incidental fee, the transfers were booked as “purchases” of services from other groups. While this new accounting process provides the EMU with more visibility regarding what the incidental fee “purchased,” it results in an increase in both recorded revenue (internal sales) and expenses. There is a net zero impact on the bottom line, but overall Other Fund expenses increased by \$6.8 million.
- Settlement of the Global Scholars Hall lawsuit.** The university received \$6.9 million in settlement payments related to the Global Scholars Hall litigation. \$5.9 million of the funds received were immediately transferred to a Plant Fund for use in future construction & repair projects. While none of these funds had been spent as of June 30, a transfer was recorded and increased total E&G expenses by \$5.9 million.
- Establishment of a Lundquist College of Business (LCB) Shared Services Unit.** In FY17, LCB established a shared administrative unit for the two academic programs in Portland (Sports Products Management, Oregon Executive MBA). The academic programs “purchase” services from the administrative unit via Internal Sales. Considering LCB as a whole, this change has no

impact on the college's bottom line. However, the accounting mechanism increases both revenue (internal sales) and expenses by the same dollar amount, approximately \$1.2 million. This affected the E&G Fund.

If we exclude these unanticipated and extraordinary items, FY17 total expenses (all funds) falls within the approved three (3) percent margin:

	BOT Approved Expenditure Authority	Revised Total Expenditures	Actual as % of Authority
E&G Fund	\$505,954,000	\$500,618,387	98.9%
Other Funds	\$460,150,000	\$476,032,010	103.5%
Total	\$966,104,000	\$976,650,397	101.1%

Capital Budget Summary:

BOT Approved Expenditure Authority	Total Capital Expenditures	Actual as % of Authority
\$83,700,000	\$121,418,772	145.1%

We have identified several major capital expenditures that occurred in FY17 and which were unanticipated when the expenditure limitation was requested:

- **Marcus Mariota Sports Performance Center** – The Marcus Mariota Sports Performance Center (MMSPC) is a cutting-edge facility designed and built to combine sports performance, sports science, sports medicine, and technology in one efficiently-designed space. Even though the MMSPC was gifted to the university as a completed project, accounting entries are still necessary to properly capitalize the asset. Capital expenditures of \$26,670,309 are reflected on the BOT quarterly report and are offset with gift revenue.
- **Knight Campus** –The primary capital expenditures in FY17 were related to the acquisition of land and buildings within the anticipated footprint of the Knight Campus, which was not contemplated in the approved FY17 authorization. FY17 Capital Expenditures for this project total \$7,526,191 and were funded by gift revenue.
- **EC Cares** - Early Childhood CARES is affiliated with the College of Education and provides early intervention and early childhood special education to infants, toddlers and preschool age children in Lane County. Due to robust program activity, they have outgrown their existing space. In February, 2017, the university finalized the purchase of the former Eugene Hearing and Speech Center building on West 12th Avenue to use as a new facility for EC Cares. Sources of funds for the purchase were self-generated monies within the EC Cares organization and a loan from the Internal Bank. The university plans to sell EC Cares' existing building on East 18th Avenue and

utilize the proceeds to partly offset these expenditures. FY17 Capital Expenditures for this project total \$2,051,075¹.

- **Klamath Hall Research Core Facilities** – The Vice President for Research and Innovation initiated this project to remodel space on the second floor of Klamath Hall in order to centrally locate four (4) Research Core Facilities. These Core Facilities are service centers that house specialized equipment and services that are shared by multiple faculty labs. FY17 Capital Expenditures for this project total \$2,001,112² and were funded by gift revenues and startup funds.

If we exclude these unanticipated projects, FY17 total capital expenditures fall below the approved capital expenditure authority:

BOT Approved Expenditure Authority	Revised Total Capital Expenditures	Actual as % of Authority
\$83,700,000	\$83,170,085	99.4%

Summary and Requested Action:

We have implemented better processes to monitor projected expenditures vs. approved limitation on a quarterly basis. We believe that all of the extraordinary expenditures articulated above were based on sound and financially reasonable decisions and that the three (3) percent margin granted with the expenditure limitation remains an appropriate threshold.

The university respectfully requests that the Executive and Audit Committee ratify the FY17 expenditures that caused the university to exceed the previously-approved limitations.

¹ Capital projects under \$5 million do not require board approval.

² See note 1

**Executive and Audit Committee
Board of Trustees of the University of Oregon**

Resolution: FY2017 Expenditure Ratification

WHEREAS, Oregon law provides that the Board of Trustees (the Board) may manage financial resources of the University of Oregon (the University) and perform such acts that are required, necessary or appropriate to accomplish the rights and responsibilities granted to the Board and the University by law;

WHEREAS, the Board authorized limitations for the University's fiscal year 2017 capital and operating expenditures, requiring Executive and Audit Committee approval of any request by the treasurer to exceed these approved limitations;

WHEREAS, fiscal year 2017 operating and capital expenditures slightly exceeded authorized levels due to a culmination of extraordinary and unanticipated expenses as articulated in the attached summary document; and,

WHEREAS, the treasurer now seeks ratification from the Executive and Audit Committee, per the authorization resolution passed in June 2016;

NOW, THEREFORE, the Executive and Audit Committee of the Board of Trustees of the University of Oregon hereby ratifies and approves fiscal year 2017 operating expenditures up to \$1,004,000,000 and capital expenditures up to \$121,500,000 made by the University as described in the attached summary, doing so in recognition that expenditures beyond the previously approve thresholds resulted from unanticipated and extraordinary items that were of sound management and fiscal responsibility.

Moved: _____ Seconded: _____

Trustee	Yes	No
Bragdon		
Ford		
Kari		
Lillis		
Ralph		
Wilcox		

Dated: _____ Initials: _____



Agenda Item #3

President's Annual Evaluation

There are no materials for this section.