



Committee Membership

Connie Ballmer	Present
Peter Bragdon	Present
Andrew Colas	Present
Susan Gary	Absent
Joseph Gonyea III	Absent
Scott Coltrane	Present
Ross Kari, Chair	Present

Convening and Introduction

The University of Oregon Board of Trustees, Finance and Facilities Committee (FFC) met in the Ford Alumni Center on the UO campus on December 10, 2014. Below is a summary of committee discussions, and actions.

At 10:02 a.m. Chair Ross Kari called the meeting to order and took roll confirming quorum. Trustee Connie Ballmer moved to accept minutes from the September 10, 2014 meeting; Trustee Scott Coltrane seconded. All trustees present voted in favor.

Public Comment

Chair Kari recognized that seven people had signed up for public comment. He asked if they would like to consolidate their comments in order to allow each individual speaker more time. Lamar Wise, UO student and board member of the Higher Education Coordinating Commission and Joaquin Ramos, ASUO State Affairs Commissioner provided feedback on the proposed Adoption of Tuition and Fee Processes resolution. Their recommendations were outlined and submitted to the Secretary of the University. Chair Kari thanked the students for their input and noted that a full discussion of the issues would occur later in the meeting.

Treasury Management

June Matte and Steve Haas of Public Financial Management, Inc. (PFM), the university's financial advisors, reviewed the University's new Internal Bank Model and gave an overview of the market for financing in higher education. In his presentation, Steve Hass outlined the advantages of the Internal Bank Model, including the fact that it decouples debt management from project financing and also allows an institution to use a portfolio approach to managing cash and debt. In her presentation, June Matte talked about the current bond market and provided an update on interest rates and the growing popularity within the higher education sector of issuing taxable debt to take advantage of low rates.

Karen Levear, Director of Treasury Operations, gave the quarterly treasury update. She thanked all those who had helped with the many steps involved with moving funds to the university's own accounts. This process is now complete. Levear overviewed current levels of the cash and investment pool and outlined goals for the pool. She explained that the biggest shift would be to redistribute the assets in the pool to include new Tier III quasi endowment investments which would be about 1/3 of the entire pool. Debt payments are up to date. The next scheduled debt payment will be in January. State bond sales are scheduled March through June. The University is planning to sell \$50 million of revenue bonds in

February. Proceeds will initially be used to fund the second half of the EMU project and for other small capital renovation projects.

Levear and Jamie Moffitt, Vice President for Finance and Administration and CFO, reviewed the following four treasury resolutions presented to the committee for approval: Refunding State Borrowings, Requesting State of Oregon Article XI-Q Bonds, Requesting State of Oregon Article XI-G Bonds, and Authorization of General Revenue Bonds. Trustee Ballmer moved to vote and Trustee Scott Coltrane seconded for all four resolutions. All trustees present voted to approve the four resolutions. They will be sent to the full board as seconded motions.

There was continued discussion regarding the inaugural debt financing. Trustee Lillis asked how much was being considered and how it fit into plans for the entire future portfolio. Moffitt explained that the University is ready to use \$50 million now. Levear concurred that this amount would be enough to draw the attention of the market and that it would be presented in a very strong manner. Chair Kari said this was a fitting approach given the importance of this introduction to the market. Trustee Ginevra Ralph asked when we would receive our credit rating. Levear responded that S&P would likely have their initial rating complete by late December. The ratings, along with finalized, audited financial statements are necessary for the university to issue debt in late February.

Quarterly Financial Report

Jamie Moffitt provided an overview of the quarterly financial report. She reported that overall in FY15 the University is still projecting to be roughly run rate even, with projected revenue covering projected expenses. Moffitt noted that the upcoming tuition and fees recommendations would need to take into consideration the importance of covering new recurring costs. Labor costs, including salaries, and retirement and health insurance costs, represent over 80% of the budget of the E&G fund, which is mainly funded with tuition. The University has received information about next year's PERS rates, and they are going up significantly. It looks like the total increase to retirement costs will be in the range of 9% to 10%. At this point increases to health insurance costs, as well as salary packages (related to labor negotiations) are not yet know.

Moffitt highlighted several pages of the reports and encouraged the committee to ask questions. It was noted that for FY14 and FY15 revenue and expenses related to the Internal Bank were broken into a separate column to help make the reports easier to understand. Expenditure data from the first quarter was presented, as well as analysis comparing the figures to FY15 projections and FY14 actual expenditures. These reports are drawn directly from the university's financial information system, BANNER. Moffitt explained that the decentralized nature of fiscal management across campus allows for independent decisions within divisions.

Licensing and Trademark Contract

Tim Clevenger gave a report to the committee regarding a licensing contract that was recently entered into with Fermata Partners, after a full competitive RFP process. Although the contract was for more than \$5 million and would normally be approved by the Board, the delegation of authority provides the President with the authority to execute the contract and provide a report to the Board in situations like this one where the timing makes waiting for Board approval impracticable.

In order to capture revenue opportunities from the upcoming Bowl game(s), it was deemed prudent to move quickly with entering into the contract. Trustee Ballmer asked about the revenue aspirations of the contract. Clevenger responded that revenues are predicted to grow by 25% in the first year of the contract and that long term they hope to double annual revenue (which is currently at \$4 million). Trustee Kurt Willcox asked about the impact of the contract on local businesses, including the threshold for participation. Clevenger confirmed that local businesses will have the same agreements and that there is no change to their thresholds.

Tuition and Fees Processes

Jamie Moffitt described the proposed Tuition and Fees Resolution. Under SB270, the Board must formally put in place a process for development of tuition and fees recommendations. This proposed tuition and fee resolution is consistent with the process currently used by the University. The necessary steps of the process include an advisory group, student input and time for public review and comment. Interim Vice President for Research and Innovation, Brad Shelton, noted that this process is very similar to what has been used by the University for the last six years.

Chair Kari asked if the process included incidental fees. Shelton responded that it does include incidental fees. One difference this year, is that we are moving the process up so that the Board can review proposed tuition and fees in their March meeting, rather than wait until June (which is what OUS did). Moffitt added that new students would benefit by knowing what their tuition and fees would be at the time they are making their decision to attend the UO. Shelton pointed out that all students would benefit because financial aid packages would be known at an earlier date. Angela Wilhelms, Secretary of the University, circulated the suggestions from Lamar Wise and Joaquin Ramos from the earlier public comment portion of the meeting. Doug Park, Interim General Counsel, went through the suggestions point by point. The following changes were made to the resolution. In the first sentence of the second paragraph between “refusal” and “the”, “of certain statutory bases” was added. At the end of the second to last sentence in the last paragraph, “in consultation with the ASUO president.” was added. In the last sentence of the last paragraph between “President” and “may”, “of the UO and the ASUO” was added. Finally, at the end of the last sentence of the last paragraph, “Nothing in this resolution is intended to affect appeal rights granted with ORS 352.105(4).” was added. Trustee Ballmer moved to approve as amended, Chair Kari seconded. All trustees present voted in favor. A redline amended version of the resolution will go to the full Board as a seconded motion.

Housing Resolution

Vice President for Student Life, Robin Holmes and Michael Griffel, the Director of University Housing presented a resolution for Approval for Certain Housing Project. The project had been approved two years ago by the OUS Board and the legislature had also approved F-Bond funding for the project. As the University intends instead to eventually finance the project with new University Revenue Bonds (which will come before the Board for approval when the bonds are to be issued), University leadership felt that it was prudent to bring the project forward to the new UO Board now for project approval.

Holmes provided background and data regarding how student retention improves when students live on-campus and are involved with student housing programs. The proposed site for the new housing dorm is south of the current Global Scholars Hall. There will be a total of 500 beds added. Griffel described how the addition of this housing dorm will allow the University to renovate other older residence halls while maintaining necessary on-campus bed capacity Trustee Ballmer moved to vote on the resolution,

Trustee Coltrane seconded the motion. All trustees present voted in favor, except Trustee Andrew Colas who abstained (due to a potential conflict of interest related to his construction company). This resolution will go to the board as a seconded motion

Adjournment

Trustee Kari adjourned the meeting at 12:17 p.m.