



**Western Oregon University Board of Trustees
Finance & Administration Committee
Meeting No. 4 - July 18, 2016
Peter Courtney Health & Wellness Center, Room 306**

MINUTES

1) CALL-TO-MEETING AND ROLL CALL

The meeting was called to order at 9:08 am.

Committee members present: Louis Taylor (Chair), Jaime Arredondo (via phone), Ivan Hurtado, Cec Koontz, Eric Yahnke (Vice President for Finance and Administration & CFO)

Others present: Reina Morgan (Assistant), Penny Burgess (USSE)

2) CHAIR'S WELCOME/ANNOUNCEMENTS

Chair Taylor shared that he and VP Yahnke spoke on the phone within the last couple weeks and he thinks the meeting should be pretty calm. There will be discussions around debt finance, the fourth quarter management report, capital construction, and the FY 17 budget outlook.

3) DISCUSSION ITEM

(a) [Debt Financing](#) – Penny Burgess, CFA | Director of Treasury Management Services – USSE

Penny Burgess from USSE presented on debt management and WOU's current debt profile. Municipal bonds are issued by municipalities or government entities and are tax exempt. Right now there is a \$4 trillion marketplace and the current interest rate is favorable to issuers of debt. State bond financing options are state general obligation (GO) bonds (Article XI-F, XI-G, XI-Q), lottery bonds, and state energy loan program (SELP) loans.

GO bonds are backed by the full faith and credit of the State of Oregon and are authorized by articles in the Oregon constitution. Bond issuance must be authorized by legislative action and repayment can come from the legislature or the university. Article XI-F(1) bonds can be used to acquire, construct, improve, equip, and furnish buildings and other projects that benefit higher education. They are typically issued for auxiliary enterprise projects like housing, dining, and athletics facilities, but can also be used for academic facilities. The university must demonstrate sufficient operating revenues to

pay the debt service and general fund appropriations cannot be used to repay the bond. In 2014 WOU received \$1.1 million in F bonds to renovate the football field and build an addition to the Student Health and Counseling Center.

Article XI-G bonds are used to acquire, construct, improve, equip and furnish academic buildings or other projects that benefit higher education and are authorized to receive aid from the state general fund. WOU or the legislature must provide a dollar-for-dollar match to the bond and that cannot come from another type of GO bond. WOU received a \$1.4 million G bond in 2015 for the new college of education facility.

Article XI-Q bonds can be used to acquire, construct, remodel, repair, equip or furnish real or personal property including infrastructure related to real or personal property. The repayment source is determined by legislative action. A recent example is a \$15.7 million bond received in 2015 for the college of education project.

Another type of bond the university can use as a funding source is a bond backed by lottery revenues. Lottery bonds can be used to acquire, construct, remodel, repair, equip, or furnish educational projects. Repayment comes from future lottery revenues and it must be authorized by legislative action. In 2013 WOU received \$7.2 million in lottery bonds for the Natural Science lab project.

The State Energy Loan Program (SELP) loans are offered and approved through the Oregon Department of Energy (ODE) and financed by an ODE revenue bond program. They can be used for projects that save energy, produce energy from renewable resources, use recycled materials to create products, or use alternative fuels. Repayment is typically made from university revenues, but can be made from state general fund appropriations as determined by legislative action. In 2011 WOU received a \$4.1 million loan for the physical education building. The SELP program is managing existing debt, but is not taking new requests at this time.

Other borrowing options include revenue bonds, internal loans, and external loans. Revenue bonds are backed by a revenue pledge of the university and require WOU to obtain and maintain its own credit rating. Repayment is made from pledged revenues. Internal loans can be inter-fund or inter-departmental short term loans and external loans can be in the form of a credit line, term loan, or direct placement bonds.

WOU's total projected debt issued through the 15-17 biennium is \$113.5 million, \$61.1 million of which is state funded and \$52.4 million is WOU funded.

For XI-G and XI-Q bonds are refunded when they see savings in the marketplace. For XI-F bonds there is a conversation between the university and the state. For lottery bond the state makes the decision on refinancing. They are always looking for savings to pass along to the universities.

4) ACTION ITEM

(a) FY16: [Q4, Management Report](#)

VP Yahnke presented on the fourth quarter management report. The report is still preliminary as the fiscal year doesn't close until July 21st. There will be some minor changes to services and supplies and the fund balance. Since the numbers are not finalized yet it shouldn't officially be accepted until the September board meeting. There was roughly \$2.1 million in vacancy savings due to 27 FTE worth of vacant positions across campus.

5) DISCUSSION ITEM

(a) Capital construction update

There are three significant components to consider related to capital projects. VP Yahnke proposed that \$500k be transferred out to use as bridge funding for the natural science building renovation. He also requested that the board approve the use of \$500k each to be used as a bond match for the ITC building renovation and the military academy renovation. The \$500k bridge funding for the natural science building we will get back, but the \$500k for ITC and \$500k for the military academy we will not get back. There is \$100k still out there as contingency funding for the Woodcock building in case the Department of Administrative Services doesn't approve the use of bond funding for purchasing furniture and fixtures. We have received feedback from HECC regarding the prioritization of projects. WOU projects are number nine and ten on the list. Koontz made a motion to recommend to the board that \$500k be transferred to the capital construction fund for the natural science building renovation until funding is secured and transferred back to the general fund. Koontz made a motion to recommend to the board that \$500k be transferred to the capital construction fund to be used as a match for the OMA building. Hurtado seconded the motion. Everyone was in favor. Koontz made a motion to recommend to the board that \$500k be transferred to the capital construction fund as a match for the remodel of the ITC building. Arredondo seconded the motion. All were in favor.

6) DISCUSSION ITEM

(a) FY17 Budget outlook

There is a decline in enrollment for summer term. Summer term is declining quicker than our academic year enrollment so it is being watched very closely. There are ongoing discussions regarding what to do about summer and online enrollment. Enrollment overall is down 6.5% from the prior year. If you look at just online instruction it is down about 13%. We had another record year of graduations, which has an impact

on summer term. We are looking at a fund balance of a little over 17% for last year, which will become the beginning fund balance for this year. Another 5% decline in enrollment is projected. Assuming that is correct, we are still looking at being able to keep a fund balance of over 15% for the end of FY 17. We expect to see more vacancy savings as it might take a quarter or half a year before some positions are filled. Faculty positions remain open for a year while the search is ongoing and more NTTs are on board during that time and then there is a year transition where the new faculty is not yet working up to a full load while they get curriculum developed and then after two years the NTT budget can be adjusted back down once the new faculty is at a full load.

There have been \$2 million worth of enhancement requests from departments, but so far only about \$60-70k worth have been approved because there are so many things to consider such as the upcoming PERS increases, the decline in enrollment, and the ongoing strategic planning process that will play a role in where funding goes.

The results of the budget allocations are fully published on the internet. Koontz pointed out that people don't always know how to pull up a budget document and read it so it is important for people to come to the meetings or meet with VP Yahnke to understand it. Hurtado suggested that the group consider offering an educational portion at the beginning of the committee meetings where people can come learn something new.

The budget development process will be finalized over the summer and can be brought to the next board meeting in the fall. The change to minimum wage is reflected in what is budgeted for the general fund. Around \$60-80k has been set aside to address that. FY 16 was a year of anomalies, with more vacancy savings than usual, unspent federal work study dollars (which is usually used up by May), and unspent student wage dollars. The supplies budget typically has some unspent, but this year was higher than in the past. During the summer months we will be working with HECC on operating and capital projects.

Dashboard development is ongoing. The hope is to have something fully developed in the fall. It is directly connected to the data warehouse and is searchable. You can focus on just a few years and deselect items to customize what you see. It is meant to be a high level look and is a beta site right now just so we can see what we're doing, but once done will be available to the public.

7) UPDATES & AROUND THE TABLE - BOARD MEETING PREP

The committee discussed what items should be brought to the upcoming full board meeting and what pieces would be covered by Chair Taylor and what VP Yahnke would cover.

8) ADJOURNMENT

The meeting was adjourned at 11:54 am.