

REGULAR MEETING  
UTAH STATE UNIVERSITY BOARD OF TRUSTEES  
DECEMBER 2, 2005

Minutes of the Regular Meeting of the Utah State University Board of Trustees held in the Alma Sonne Board Room of the University Inn at 9:45 a.m.

MEMBERS PRESENT

Richard L. Shipley	Chairman
David P. Cook	
Robert L. Foley	
Douglas S. Foxley	
Quinn W. Millet	
R. Brent Nyman	
Kellie S. Wood	

MEMBERS EXCUSED

L.J. Godfrey	Vice Chairman
Douglas D. Anderson	
Lynnette T. Hansen	

UNIVERSITY REPRESENTATIVES PRESENT

Stan L. Albrecht	President
Noelle E. Cockett	Interim Provost
Glenn W. Ford	Vice President for Business and Finance
Juan N. Franco	Vice President for Student Services
M. Kay Jeppesen	Interim Vice President and CIO for Information Technology
M. Scott Mietchen	Vice President for University Advancement
Brent C. Miller	Vice President for Research
Jack M. Payne	Vice President and Dean for Extension
Clinton G. Moffitt	Assistant Vice President for Finance/Controller
Sydney M. Peterson	Chief of Staff
John DeVilbiss	Executive Director of Public Relations and Marketing
Jodi Bailey	Director of Internal Audits
Randall W. Coleman	Director of Cash Management
Derek T. Mason	President of Faculty Senate
Marsha Howell	President of the Professional Employees Association
Jill J. Ballard	President of the Classified Employees Association

Lee H. Burke  
Mira G. Thatcher

Assistant to the President and Board of Trustees Secretary  
Secretary

### OTHERS PRESENT

Stephen Beierlein Vice President, Smith Barney Inc.

### MEMBERS OF THE MEDIA PRESENT

Katie Ashton *The Statesman*

Chairman Shipley conducted the meeting and welcomed those present. He excused Trustees Anderson, Godfrey, and Hansen.

#### I. Resignation of Lyndon J. Godfrey

Chairman Shipley stated that Trustee Godfrey has sent a letter indicating his need to retire from USU's Board of Trustees due to changes in his employment responsibilities (see Appendix A).

President Albrecht expressed appreciation to Trustee Godfrey, who has been a great Trustee and a close personal friend. He said that he will be missed on the Board.

#### II. Chairman's Report

##### A. Discussion Regarding Board of Trustees Meetings

Chairman Shipley suggested that the schedule of Trustee meetings be changed to holding regular meetings in the first month of each quarter possibly with committee meetings the night before, and holding either conference call meetings (including Executive Sessions) or committee meetings the other two months in the quarter. There was discussion, and the Trustees agreed with this change.

Action: Trustee Foley made a motion to change the schedule of Trustee meetings to meeting together the first month of the quarter, and holding either committee meetings or a teleconference meeting the other two months in the quarter. Trustee Cook seconded the motion, and the voting was unanimous in the affirmative.

##### B. Date of the Next Board of Trustees Meeting

The next Board of Trustees meeting will be held on Friday, 27 January 2006.

### III. President's Report

#### A. Vice President Jack Payne Resignation

President Albrecht thanked Vice President Payne for the wonderful job he has done as Vice President and Dean for Extension. He has been chosen as the new Vice President of Extension at Iowa State University. President Albrecht said Vice President Payne has exhibited exceptional leadership at USU.

Vice President Payne said he is an alumnus of USU where he received a great education and preparation for his career. He said it was a privilege, after twenty-seven years, to come back to USU as Vice President for Extension. He said that leaving is bitter sweet, and that he will always be an Aggie. USU is a great University and has great leadership. He expressed appreciation for the opportunity given him to serve at USU.

#### B. Dean Caryn Beck-Dudley Resignation

President Albrecht reported that Caryn Beck-Dudley, Dean of the College of Business, is resigning from USU to become dean of Florida State University College of Business.

#### C. Performance Dashboard for November 2005

Trustees were given the USU Performance Dashboard for November 2005 (Appendix B) for their information.

#### D. Banner Report

Trustees were given information concerning the Banner software project (Appendix C) for their information.

Interim Vice President Jeppesen said Banner is currently focusing on the Human Relations Department, ensuring that on 2 January 2006 employees receive their paychecks. There was a flaw in the software program, which has been corrected. He said there are always challenges, but the Banner group is confident and equal to the challenge. Things are moving as expected.

#### E. University Advancement Update

Trustees were given an update concerning the capital campaign (Appendix D) for

their information. Vice President Mietchen said things are going well. They expect several gifts in the last twenty-nine days of the year.

Vice President Mietchen informed the Trustees about a letter mailed to prospective USU donors (Appendix E) which included information about the tax advantages of the KETRA Act, which was recently passed by Congress. It changes the tax deductibility rules for certain gifts made between 28 August and 31 December 2005. Donations can be made to different organizations, including higher education. It is anticipated that the mailing will create new giving opportunities for some USU donors.

F. The President's Report, 11/4/05

The *President's Report* for 11/4/05 (Appendix F) was distributed to the Trustees.

President Albrecht pointed out that Sonia Manuel-Dupont will be the speaker for the December Commencement. She holds appointments in three different colleges. Among many other awards, President Albrecht mentioned that she received the Carnegie Professor of the Year and has been named the Departmental Teacher of the Year eight times.

G. Legislative, Federal, and State Funding

President Albrecht stated that media has reported significant federal funding coming to USU. Vice President Miller said that \$50 million was awarded to agricultural projects in Utah of which \$17.3 was earmarked for USU. He said that of that \$17 million approximately \$9 million goes to the agricultural research service units of the United States Department of Agriculture (USDA). Approximately \$8 million comes to the College of Agriculture. Vice President Miller said that Senator Bennett, Chair of the Agricultural Appropriations Committee, has been extremely supportive of USU as well as other members of our delegation. USU has also received many significant congressionally directed appropriations this year in almost every college.

Interim Provost Cockett stated that these appropriations have been phenomenally helpful as we start programs. Our intention is to start programs with this funding, and then move to competitive soft grant funding and bring new ideas and programs. Senator Bennett's help through the Agricultural Committee has been wonderful.

H. December Commencement–17 December 2005

Chief of Staff Peterson reported that 550 students will graduate during the December Commencement this year compared to approximately 600 last year.

She reviewed the schedule including a dinner honoring the valedictorians on Friday, 16 December, at the David B. Haight Alumni Center, and on Saturday, 17 December, a continental breakfast, the procession from the Nelson Recreation Center, and the ceremony held in the Dee Glen Smith Spectrum.

She indicated that the investiture ceremony for President Albrecht, fifteenth president of USU, will take place during Commencement exercises.

I. Memorial Service–7 November 2005

President Albrecht reported that the memorial service which was held at USU on 7 November for the students and professor who were killed in the van accident on 26 September went well. The service included remarks from President Albrecht, Interim Provost Cockett, Elder L. Tom Perry, music by the Tabernacle Choir, and a music and video. There was a great amount of positive feedback. The president of the Tabernacle Choir told President Albrecht that it was one of two of the most memorable events he had experienced.

J. Philanthropy Day–10 November 2005

President Albrecht said that the Caine Foundation was honored at the Philanthropy Day as well as other donors. He said this was important to USU.

K. Innovation Campus Celebration–21 November 2005

A celebration was held for the Innovation Campus on 21 November 2005. There was a ribbon cutting for the Grand Avenue which was funded by the U. S. Commerce Department. This will help to expand research buildings on the Innovation Campus.

IV. Consent Agenda

Trustees were given the following consent agenda material for their consideration:

Minutes of the Executive Session Held 4 November 2005;

Minutes of the Regular Meeting Held 4 November 2005;

Resolution 05-12-1 Certificate of the Treasurer for the Period 1 July 2005 to 30 September 2005 (Appendix G);  
Resolution 05-12-2 Report of Investments for September 2005 (Appendix H);  
Resolution 05-12-3 Contract/Grant Proposals and Awards for October 2005 (Appendix I);  
Resolution 05-12-4 Commencement Speaker for 2006, Commencement Speaker for 2007, and Honorary Degrees for 2006 (Appendix J);  
Acceptance of the following written reports:  
Academic Services (Appendix K);  
    Faculty and Staff Activities and Achievements (Appendix L);  
Business and Finance (Appendix M);  
    Business and Finance Performance Dashboard, November 2005 (Appendix N);  
Extension/Continuing Education (Appendix O);  
    Cooperative Extension Performance Dashboard, November 2005 (Appendix P);  
    Continuing Education Performance Dashboard, November 2005 (Appendix Q);  
    Conference Services Performance Dashboard, FY 2003-04 (Appendix R);  
Information Technology (Appendix S);  
Research (Appendix T);  
    Research Performance Dashboard, FY 2004 (Appendix U);  
    Technology Management Indicators (Appendix V);  
Student Services (Appendix W);  
University Advancement (Appendix X);  
    Development Fund Report for Fiscal Year 2005-06 (Appendix Y);  
ASUSU (Appendix Z);  
Athletics (Appendix AA);  
Public Relations and Marketing (Appendix BB);  
Professional Staff (Appendix CC);  
Classified Staff (Appendix DD);  
Executive Session to be held on 27 January 2006 to discuss those items which are permitted by law to be discussed in Executive Session.

Action: Trustee Nyman moved approval of the Consent Agenda items, and Trustee Foley seconded the motion. The voting was unanimous in the affirmative.

## VII. Strategic Agenda—“USU Investments”

Trustees were given information concerning USU Investments (Appendix EE). Vice President Ford expressed appreciation for the opportunity to discuss investments with the Trustees. He introduced Clinton Moffitt, Associate Vice President for Business and Finance and Controller; Stephen Beierlein of Smith Barney Inc., and Randall W.

Coleman, Director of Cash Management. He expressed appreciation to Interim Vice President Jeppesen and Vice President Mietchen who are members of the Investment Committee.

A. Goals

Associate Vice President Moffitt said the goal of the USU Investment Committee is to provide inter-generational endowment growth to provide scholarships across generations—not just for today or tomorrow, but for many generations. Our goal is to protect and grow the asset at the same time. USU has done very well.

B. Definitions

True endowment – donor-designated investments “in perpetuity.” They are classed as “permanently restricted,” and only the appreciation may be spent. The corpus is to be preserved

Quasi-endowment – a sum of money that may include donor funds held temporarily, or other departmental funds. The funds are set aside and managed along with the true endowments in order to take advantage of market returns. These are also known as “temporarily restricted,” and may be spent at the discretion of the department that established them.

Corpus value of an endowment – the dollar amount of the original gift, plus any additional gifts that the donor makes to the endowment.

Market value of an endowment account – the book value, plus the current year’s accumulated appreciation. On 30 June of each year, the market value of an endowment is the 1 July book value, plus that fiscal year’s appreciation.

Realized income/loss – interest, dividends, gains or losses upon the sale of an investment.

Unrealized income/loss – appreciation/depreciation of an investment from cost.

Endowment Pool – a university managed mutual fund.

Unit value – share value of each share in the endowment pool.

12-quarter moving average – average of unit values at the end of each quarter for the previous three years.

Spending rule allocation – a percentage of the endowment unit value allocated to a spending account. The percentage determined by the Investment Committee

annually.

Asset allocation – mix of investment options—stocks, bonds, growth stocks, fixed income, etc.

Investment options –

- Donor restricted – the donor specifies the investment options.
- Donor unrestricted – the Investment Committee selects the investment options.

Benchmarks – a comparative measurement to the investment’s performance.

Utah State Money Management Act – and rules of the Utah Money Management Council set forth and define qualified depositories and qualified investments for funds of member institutions of the Utah System of Higher Education.

Uniform Management of Institutional Funds Act (UMIFA) – state legislation governing the investment of endowment funds.

### C. Investment Performance

Associate Vice President Moffitt reviewed the investment performance for the last three years using the Report of the Actual vs Benchmark. USU uses the benchmark of the State Treasurer which has a staff of four people managing investments. He stated that USU has Randall Coleman and the advice of Stephen Beierlein managing USU’s \$140 million in cash investments. In 2003 USU’s performance was 3.76 percent compared to a benchmark of 1.94 percent, in 2004 USU’s performance was 2.53 percent compared to a benchmark of 1.59 percent, and in 2005 USU’s performance was 3.72 percent compared to a benchmark of 2.40 percent. Associate Vice President Moffitt praised Randall Coleman’s investment ability and said he does an excellent job. He said USU is consistently the top performer of the higher education institutions.

Associate Vice President Moffitt explained that the Commonfund is a manager of managers. The Commonfund invests for 500 institutions. For example, we indicate that we want to put money in a certain area and the Commonfund hires managers to manage that pool. We give them money and tell them the type of categories we would like to invest in and the managers make the investments.

The endowment pool reports that in 2003 USU earned .90 percent compared to a benchmark of 3.1 percent, in 2004 USU earned 18.37 percent compared to a benchmark of 13.6 percent, and in 2005 USU earned 7.65 percent compared to a benchmark of 8.5 percent. One of our restrictions in the past which held our investments back was the Money Management Act. We now have more latitude.



The National Association of College and University Business Officers ask all members to submit endowment performance portfolio annually. They conduct an endowment study. It is a good benchmark to compare endowments of similar size.

#### D. Reports

Associate Vice President Moffitt reviewed the Cash Management Pool report and pointed out the change in fair value. He said these investments are held until maturity, so the important amounts are total interest income. He stated that two years ago USU started to extend investments to keep the rates up. We went from two-year to four-year paper. As a result, we have maintained the rate. The repurchase agreements since August 2004 have grown. If we had not extended maturity, we would have had a decrease in investment rates.

Associate Vice President Moffitt said the portfolio indicates the actual investments we hold. He said on this report we will never realize the loss. We will never take an opportunity on a gain either because if you have a gain on fixed income it is because the interest rates drop. To take the gain you would have to invest it in a lower paying interest rate.

In reviewing the Endowment Pool the important thing to watch is the change in fair market value, total interest and dividends, and realized gain or loss. USU is up \$980,000 this year. The year before we were down during this time frame by \$484,000. He reviewed the unit value reported monthly. We have returned positive for two months and were negative one month.

The Endowment Pool Portfolio shows investments in (1) Cash Management Investment Pool, (2) Wells Fargo Bank – Balanced Fund, and (3) The Commonfund – Commingled Investment Funds. We look at other options and talk to managers.

#### E. Current Year Changes

Controller Moffitt reviewed the following changes which have occurred in the last year:

- Legislation to move endowments under the UMIFA. USU and the U of U were supporters of that change.
- Regents policy governs all institutions under a baseline policy.
- Universities may adopt their own policies, but the policies must have Trustees' approval, Regents' approval, and input from the Investment Committee.

#### F. Trustee Discussion

Trustee Nyman asked which committee makes the decision on some of the investments in the Endowment Trusts. Controller Moffitt said that most of those are

designator restricted and have their own investment committees, and USU does not have power over those investments. USU's Investment Committee is active in the Endowment Pool and gives direction as it pertains to the cash management. Trustee Nyman suggested looking at changing the way we write contracts. Associate Vice President Moffitt said there are times when the restricted donor is no longer available and we can move those into the Endowment Pool. We focus on maximizing the Endowment Pool because the others are most often restricted. Associate Vice President Moffitt stated that as of September we have \$44 million in quasi-endowments and \$50.9 million in true endowments.

Trustee Nyman noted that USU's investments compared to the benchmark are usually higher. He said that indicates that the Investment Committee is doing great work. Associate Vice President Moffitt said they have \$140 million of cash, and they really pay attention to that. Scholarships are funded with those investments.

Members of USU's Investment Committee are W. Glenn Ford, Clint Moffitt, M. Kay Jeppesen, M. Scott Mietchen, and Kevin C. Womack with Stephen Beierlein advising. Associate Vice President Moffitt said that it will be recommended to add two Trustees to that committee. He explained that Glenn Ford is an ex-officio nonvoting member of the committee. Mr. Moffitt is the Chair, and members are Kay Jeppesen and Scott Mietchen. Two Trustees will be appointed, and President Albrecht would have the option of appointing three members. That committee would make the recommendation which would go to the Vice President for Business and Finance to accept or reject.

Action: Trustee Nyman moved to adjourn the meeting, and Trustee Wood seconded the motion. The voting was unanimous in the affirmative.

The Regular Meeting adjourned at 10:55 a.m.

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Richard L. Shipley, Chairman

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Lee H. Burke, Secretary  
(Minutes Taken by Mira G. Thatcher)

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Date Approved