

Minutes  
Ottawa University Executive Committee  
Phoenix, Arizona  
February 1, 1997

Board members present: Kevin Eichner (Chair), Carol Allen, Stan Bettin, Wayne Duderstadt, Hal Germer, Kent Granger, Mercile Lee, Carl Little, Jim O'Dell, Justus O'Reilly, Nancy Paulger, Ramon Schmidt, Marvin Wilson, Patti Wolf.

Administration present: Roseanne Becker, Jim Billick, Bob Duffett, Vernon Larson, Anne Mills, Jan Stone, Fred Zook.

Kevin Eichner called the meeting to order at 10:10 a.m. and welcomed all present. Justus O'Reilly offered a prayer. The agenda was reviewed.

**Audit results for 1995/96.** Anne Mills made the report.

1. Our new audit and accounting format is in place.
2. Total net assets have grown to over \$13 million; endowment totals \$8.3 million.
3. Anne explained the detail of the net assets, noting the categories of unrestricted, temporarily restricted, and permanently restricted types of assets.
4. The operating funds category, \$921,000, is our undesignated cash reserves.
5. It was noted the \$377,488 which had been received toward Martin Hall (as of the end of the fiscal year) and is temporarily restricted as the challenge continues.
6. When speaking of endowment, we also include "quasi endowment."
7. A question was raised with respect to the government monies which are included in our liabilities as to whether anything could happen to cause us to lose access to these funds. The answer was probably not. It affects the balance sheet by showing as a liability until it is technically earned by meeting the time requirements connected with the federal matching funds. This is explained in an audit footnote.
8. Anne noted that in future years we will have prior year's numbers for comparison.
9. The Statement of Activities and Changes in Net Assets has been customized for the University to show annual operating and nonoperating results.
10. Tuition and fees revenues are reduced by the University funded scholarships consistent with the change in accounting practice. This is in essence a discount.
11. Anne was asked if there is some detail on the auxiliary accounts that the Board could see. She responded this information is in our system, and a schedule can be provided, but is not normally reported explicitly. It was further clarified that athletics are not included in auxiliaries. They are included in Student Services.

Anne Mills was asked to supply detail on auxiliaries and athletics to Kent Granger and anyone else who would like to see these.

12. We were reminded that instructional expenses are those that can be tied directly to a course of some type. This is predominantly salaries.



13. Academic support expenses are those that affect teaching but may not be directly allocable to a course.
14. Our total instructional and academic expenses are \$5.8 million.
15. Student services includes admissions, financial aid staff and registrar at all locations. On Campus it also includes student activities, athletics, counseling, and health center.
16. The category General Institutional Support includes the President's office, Vice President for Business Affairs, auditors, rent, leases, and other overhead. It was noted this should not grow in direct relationship to our increases in revenues.
17. From operations, the University had a surplus of \$698,000 last year.
18. The question was raised as to how our cash declined by \$1 million in view of the operating surplus. The response was that Anne has not yet had the chance to reconcile these. In particular, we had a question on the "realized gain on investments" category.

Anne Mills is to provide a summary memo of explanation on sources and uses of cash after this meeting.

19. We did note there is still some need for refinement and reclassification of our records into the new format, and that in this sense accounting is an "art."
20. Note #8 in a contingency note on the Department of Education potential fines, but not determined, if any, in amount. Kent Granger asked that the minutes note that he personally is not satisfied with the treatment of Footnote #8.
21. We noted the campus depreciation number in the summary of operations. This is the first time we have seen such a number allocated to a specific center.

Note: Special attention has been drawn to the status of our accounts receivable aging. The end of the year numbers show the dimensions of the problem. These have actually deteriorated, especially on Campus.

**Department of Education financial aid update.** Wayne Duderstadt reported on this area on behalf of the Audit Committee, which met the previous day.

1. Have been getting some very good work from Howard Fisher and our consultants and attorneys.
2. We were reminded of the issue of dispensing aid funds at ineligible locations, which was one of the first problems which arose in the review by DOE. The dimensions of the problem are as yet undetermined.
3. Another problem has to do with how we have been handling refunds on withdrawals. This is a problem which is exacerbated by our Center programs where we have less direct ability to determine whether and when a student has dropped out or simply is absent. This is further complicated by the "break in enrollment" definitions, which again pertain more closely to traditional programs.
4. We were reminded that we have been diligent in responding to the government queries. These now total three responses.
5. Wayne noted that Howard Fisher is feeling very positive about the processes and protocols necessary to correct these concerns at all centers for the future. There is



still work to be done, but progress is being made.

6. There were several comments about the complexity of the problem and challenges before us, but clearly is one that is commanding the attention of our management in view of the potential ramifications of this critical area of our institution.

**Financial Report through December, 1996.** Anne Mills noted:

1. Campus continues to have an expense problem.
2. Campus seems to be on a track to a larger deficit than last year, in the neighborhood of \$1.7 million.
3. International is going well in comparison to plan.
4. Kansas City is tracking well.
5. Milwaukee is doing better than expected.
6. Phoenix is doing extremely well.
7. Development is coming along nicely.
8. The problem of expense control on the Campus was discussed at some length, with the issue of turnover in the Campus Business Manager position noted in particular. The need for Campus expense management to be addressed was emphasized.
9. Campus is facing some major issues on expenses and thus needs to make some tough choices. Attention was drawn to Stan's Campus Committee to be aware of this and to assist where possible.
10. Bob Duffett noted we have hired a new Campus Business Manager.
11. A question was raised as to whether our expenses are in line with other similar institutions. Bob Duffett commented that we are last in the KCAC on tuition, so may be an issue. Needs more data to answer well.

**Preliminary Budget for 1997/98.** Anne Mills introduced several items. She noted:

1. Decided to show us some better data, since expense projections are not "worth the paper they are written on" at this stage of the budgeting process. Focused us on tuition and fees, total students, faculty assumptions, and other similar information.
2. A question was raised as to whether the FTE ratio in the International area was realistic. The answer was that it was probably on the conservative side by Vern.
3. The proposal was that we be offering contracts based on these assumptions. Regarding the Campus, the question was raised as to our retention. Bob Duffett commented that retention has held.

**Justus O'Reilly moved, with Stan Bettin seconding, that the administration be authorized to proceed with faculty contracts as proposed and based on the assumptions provided. The Motion passed.**

**Special Report of Ottawa University Phoenix.** Fred Zook introduced some of his key administrators and each gave a special update on their responsibilities and progress.

1. Sherwin Snyder spoke of the growth in the graduate programs.
2. Fred Romero spoke of the workings of the Academic Committee in Phoenix in response to North Central and the University Academic Council. Noted that the adjuncts are being brought more into the decision making and planning processes.



3. Marianne Kustes commented on the status of the Registrarial work under her command. Has been doing some research with students and getting strong feedback.
4. Kathy Balser as the Business Manager spoke to her area. She made special reference to the new auditing firm and credited them for their assistance. Will be working with Brenda Guenther in putting new and additional systems.
5. Howard Fisher was introduced as Financial Aid Director. He has spoken to the difficulties of the audits and noted that he feels that we can now start looking to the future. Has made several personnel changes. Suggests we are now well-positioned. Says we should anticipate continuing changes to government regulations on financial aid.

The meeting adjourned for lunch

**Board processes and recommendations.** Kevin Eichner shared a report on the meeting of December 7 with the chairs of the Standing Committees. Several “zones” for improving the Board were identified then and further feedback was solicited.

### **Zone 1: Structure and make-up of the Board**

1. Mercile Lee spoke in favor of the idea of a Board of Visitors and advisory groups for the centers.
2. Marvin Wilson noted the idea of getting more friends involved with the University is critical.
3. Kent Granger mentioned the issue of the Board structure, noting that the Committee design is both horizontal and vertical.
4. Anne Mills noted that some institutions appoint people to multiple committees for this reason.

### **Actions:**

1. **It was agreed to form a group to develop recommendations on how we can recruit, deploy, and support advisory groups/boards for each of our centers. This group would address these questions, as well as how we should measure outcomes.**

**Mercile Lee and Patti Wolf were asked to lead this effort on behalf of the Board. They will be supported by the Provosts and the head of the Development team with special attention to the alumni participation.**

2. **Hal Germer, Roseanne Becker and Carl Little were asked to provide recommendations on how or whether to proceed with a Board of Visitors concept or some other means, such as special events, by which we can significantly expand our network of funds and friends. They will give us some**



**direction.**

**3. Kevin Eichner, Marvin Wilson and Kent Granger will form a group to develop recommendations on new organizational structures and procedures for our Board and for the institution. They will be supported by Hal Germer, Anne Mills and others as necessary.**

## **Zone 2: How we can better deploy Board members**

1. There were some questions raised as to the intent of the ideas that surfaced in the December meeting.
2. Carl Little spoke to the needs to be more explicit about mutual expectations. noting that we could clearly get more out of our work together.
3. Marvin Wilson cautioned us to be careful to ensure that we are not only discussing the financial aspect of commitment.

### **Action:**

1. **As the group on structure (Kevin Eichner, Marvin Wilson, Kent Granger et al) to consider this.**
2. **Ask the Committee on Trustees to tackle this assignment and give the Board a set of recommendations at the April meeting.**

## **Zone 3: Logistics and Operations of the Board**

1. There was strong interest in the question of how to involve students, faculty, and staff with the Board. A general feeling was that we need to improve this interaction.
2. There seemed to be general agreement that our meeting frequency and scheduling and locations are about right. The bigger issues are in the participation and process.
3. The issue of representation was raised and how one might measure this.

### **Action:**

**The team formed on the structural questions was asked to deal with these questions as well.**

## **Zone 4: Improving constituent and public relations**

1. Kent Granger asked if we were overlooking the larger community of volunteers.
2. Mercile Lee spoke again to the importance of the informal settings for trustees and faculty/staff/students.

### **Actions:**

1. **Roseanne Becker has the initiative on the publicity pieces.**



2. Hal Germer will develop some form of monthly update in written form to the Board. There will be a set of the Chairman's notes to go with these periodically.
3. The issue of Board connectivity must also be addressed by the group considering Board structure.

Kevin Eichner will be responsible for coordinating and organizing the activities of the above named groups.

### **Resolution**

Anne Mills distributed a resolution necessary to facilitating annuities from alumni or friends who reside in California.

#### **Resolution Relating to Certification as a Grants and Annuities Society In the State of California**

**WHEREAS, Ottawa University (hereinafter "the University"), a nonprofit educational institution incorporated in the state of Kansas and situated in Ottawa, Kansas, has numerous supporters in the State of California from whom it wishes to receive gifts through issuance of charitable gift annuities, and**

**WHEREAS, the State of California requires that a charity issuing such annuities must be authorized by the California Department of Insurance to act as a grants and annuities society, subject to Sections 11520 through 11524 of the California Insurance Code,**

**NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees of the University authorizes its officers to seek certification as a grants and annuities society and to do other things necessary to act as a grants and annuities society;**

**BE IT FURTHER RESOLVED, that the Board authorizes its officers to establish a California Annuity Reserve Fund as prescribed in Section 11521 of the California Insurance Code, to be maintained under a trust agreement in a separate account legally and physically segregated from the other assets of the University, said Fund to hold the reserves of all active annuity contracts issued to residents of the State of California;**

**BE IT FURTHER RESOLVED, that reserves in this Fund shall at all times be maintained at a level sufficient to comply with the requirements of Section 11521, and that the assets in this Fund shall at all times be invested in a manner consistent with the requirements of Section 11521.2 and Sections 1170 through 1182 of the California Insurance Code.**



**Stan Bettin moved, with Kent Granger seconding, that the resolution be adopted. The motion passed.**

**General operations updates.**

1. Bob Duffett spoke to the Campus enrollment initiative. He reported the Campus started the year with the best enrollment numbers in two decades. Bob has intervened directly with the Admissions staff in the sales manager role to assist Andy Carrier. Andy has focused heavily on making certain financial aid processing works well and in seeking a new Director of Financial Aid. Admissions numbers are where they were at this time last year. The administration has abandoned the search for the marketing person for the moment. A new football coach and a replacement assistant football coach have been hired. Bob noted he believes the strategy is good, but still have personnel issues. He also noted the impact of financial aid processing in recruitment and admissions.
2. Hal Germer commented on the status of open positions and hiring. Between September first and the end of December the University had 27 open positions for faculty, professional administrators or staff. Ten of those positions have been filled. 17 are presently in search status, with a few that have strategic impact. It is critical these be well filled.
3. Jan Stone handed out copies of the North Central Association focus visit report. It is an excellent report. Jan and the University Academic Council were commended for their excellent work.

**Action:**

**Bob Duffett was asked to give the Board an update on the academic profile of entering Campus students.**

**Development and Martin Hall Challenge.** Roseanne Becker reported the following:

1. Results are running ahead of plan for the Annual Fund goal.
2. Roseanne and staff are busy making major donor calls for Martin Hall.
3. The public phase of the Martin Hall Challenge is now being kicked off.
4. The University begins a Central Region church campaign in March.
5. Emphasis is being given to training new team members.
6. A handout worksheet shows the University has three campaigns underway within essentially the same donor base and totaling \$4.1 million
7. A correlation between Roseanne's employment date and the upturn in a bar graph handout of results was noted.
8. It was clarified that Fund II has been used for temporary restricted funds in the past. New accounting rules do not require segregating these funds when the donor's restrictions on expenditures are met within the current year. This means the amount raised in unrestricted funds exceeds the Annual Fund goal.



9. At the present time we are \$100,000 head of last year in the net current fund results. This is because of better segmentation, earlier asks and more specific asks, and faster turnaround on thank yous.
10. Trustee participation is up from \$44,000 at this time last year to \$58,000 this year.
11. There are 13 Trustees participating in the Dodgen Challenge so far.
12. There will be a second run on the Dodgen Challenge for this year.
13. Martin Hall commitments are reported as \$757,000 as of the end of December. The majority, of course, are major gifts.
14. Barbara Rockwell resigned as Director of Alumni. Roseanne Becker is seeking an interim Director as she opens a national search.
15. Martin Hall plans are being drawn. The intent is to make a decision by August of this year. In order to go ahead we need \$2.5 in cash and commitments. Given what we have and reasonable goals for the public phase and foundations, Hal Germer estimates we still need \$900,000 in major gifts. We were reminded the construction process will take twelve months.

**Campus facilities planning and opportunities.** Bob Duffett reported:

1. We are using architects to help us look at how we can improve space utilization and also make improvements at reasonable cost.
2. There have been discussions in the broader community about how the Peters Sports Complex might be used in a joint development and operating effort to meet the facilities needs of all the players.
3. Hal Germer clarified that this is the concept stage. Several parties are considering their needs and beginning to look at opportunities for collaboration.
4. It is important to keep this confidential in the community was emphasized, and we are moving in the context of the Campus Master Plan.

**International Program and visit by Centers Committee Chair Patti Wolf.** Patti Wolf recently visited Ottawa instructional locations on the Pacific Rim. She made a written report to Kevin Eichner and shared highlights with the Executive Committee as follows:

1. Patti Wolf visited six international sites in ten days.
2. She commented positively on our relationship with Informatics, and reminded us they are primarily a marketing firm.
3. She noted the prestige of an American degree in the area.
4. She noted that Informatics is a marketing company positively exploiting government goals for educating their populations. The message to Patti was that they would like to see Ottawa University expand more rapidly. She further noted the importance of the relationship.
5. Cal Milan has returned to Phoenix, and Patti Wolf commented on the search for his replacement. She commented on the farewell party for Cal in Hong Kong and noted how important he has been to relationships there.
6. She was impressed with three adjunct faculty she met on her trip. She reminded us that as the program grows the selection of good adjuncts is even more critical than before. She commended Vernon Larson on his selections.



7. All students voiced concerns about the importance of quality. Patti spoke to the issue of "whispers" about this in the University community and challenged the assessment process to document academic quality accordingly.
8. She indicated the one complaint she heard throughout is the small size of the Ottawa University diploma. Students there feel strongly about a larger diploma.
9. She believes we are missing a real opportunity with our Hong Kong alumni. She believes contributors are there for Martin Hall International. Alumni there report they are very concerned about lack of contact with the University since they graduated. Patti Wolf believes they will also support scholarships for students to come to Campus.
10. She remarked on the impact of the International program and its potential on the whole institution.
11. She commented on numerous conversions to Christianity on the Pacific Rim. She believes the Board should know this relative to questions about our mission.
12. She did ask for feedback via questionnaires.
13. She commented that this was a very rewarding experience for her.
14. Vern Larson handed out information on the teaching schedule in the International program.
15. Jan Stone reported that there has been an assessment team looking at the International program and it has made some concrete recommendations addressing quality improvements.

**Litigation.** Hal Germer reported that the former Campus Business Manager was terminated in May after four months service. This person has filed a suit. Discovery and depositions have been completed. In the next week the court in Franklin County will hear motions for summary judgment. The University has filed a motion for dismissal based on its position that an administrator is an employee at will. The result of this motion will be known soon.

Also, one tenured faculty member has been notified of a second negative annual evaluation. The effect of this would be termination, in accordance with the faculty handbook. The faculty member has requested a hearing, and that will be held on campus in the next two weeks.

Kevin Eichner adjourned the meeting at 4:10 p.m.

Carol Allen, Secretary to the Board