



FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE

JUNE 16, 2010

8:00 a.m.

**BOARD ROOM
WELLS FARGO PLACE
30 7TH STREET EAST
SAINT PAUL, MN**

Please note: Committee/Board meeting times are tentative. Committee/Board meetings may begin up to 45 minutes earlier than the times listed below if the previous committee meeting concludes its business before the end of its allotted time slot.

Committee Chair Thomas Renier calls the meeting to order.

- (1) **Minutes of May 19, 2010** (pp 1-7)
- (2) Finance, Facilities and Technology Update
- (3) **North Hennepin Community College Property Surplus** (pp 8-11)
- (4) **Wells Fargo Place Lease** (pp 12-17)
- (5) Proposed Amendment to Board Policy 6.5 Capital Program Planning (First Reading) (pp 18-20)
- (6) Sustainability Update (pp 21-32)
- (7) Information Technology Services Division Annual Performance Report (pp 33-36)
- (8) Finance and Facilities Division Annual Performance Report (pp 37-48)

Members

Thomas Renier, Chair

Clarence Hightower, Vice Chair

Duane Benson

Christopher Frederick

Ruth Grendahl

Dan McElroy

Scott Thiss

James Van Houten

Bolded items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
May 18, 2010**

Finance, Facilities and Technology Committee Members Present: Tom Renier, Chair; Clarence Hightower, Vice Chair; Trustees Duane Benson, Christopher Frederick, Ruth Grendahl, Dan McElroy, Scott Thiss, and James Van Houten

Other Board Members Present: Cheryl Dickson and Jacob Englund

Leadership Council Representatives Present: Vice Chancellor Laura King, President Robert Musgrove

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on April 20, 2010, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Vice Chair Hightower called the meeting to order at 8:40 am.

1. MINUTES OF April 20, 2010

Trustee Grendahl moved to accept the minutes from April 20, 2010, as presented. Trustee Benson seconded the motion which passed with no dissent.

2. NOTES OF PUBLIC HEARING: FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE

Trustee Benson moved to accept the notes from the April 20, 2010 public hearing on the FY2010 Operating Budget, as presented. Trustee Grendahl seconded the motion which passed with no dissent.

3. FINANCE, FACILITIES AND TECHNOLOGY UPDATE (*Information*)

Vice Chancellor King reported that the Advancement Committee would receive a full briefing of the end of the legislative session outcome. Although the FY2011 appropriation remains the same, the legislature directed that an additional \$2M be moved from the Office of the Chancellor budget to the colleges and universities. This represents a 4% reduction to the Office of the Chancellor budget. The legislature also inserted language prohibiting “charge backs” of the OOC reduction to the colleges and universities into the Higher Education Policy bill. The Office of the Chancellor has had a 10% decrease in allocations since FY2008.

The Chancellor has initiated rapid planning efforts to respond to this FY2011 impact. The Leadership Council and the Board will be a part of the efforts. It is clear that the Office of the Chancellor is facing very difficult choices that will impact support for the Board and the campuses. Vice Chancellor King noted that the Office of the Chancellor would use contingency funds while plans are underway for budget reductions which will occur early in 2011.

The Leadership Council hosted a round table with presidents at the May Leadership Council meeting. The purpose was to present a forum for presidents to talk about FY2011, FY2012 and beyond budget planning. The presidents reported that short and mid-term academic and financial planning is underway at all the institutions. Consultations and work group activity is proceeding. Strategies and topics of shared interest include coordinated/regional program planning; shared services; focus on accountability, student success, outcomes; ways for the system to assist in coordination.

Fiscal year end is approaching and Minnesota Management and Budget has communicated their intention to fully re-pay the outstanding cash loan, currently totally \$300M. Vice Chancellor King noted that two scenarios are possible. MMB could change their mind and not re-pay the loan before the fiscal year end. If that happens the system will book a very large receivable on the financial statements and carry the loan into FY2011. MMB could also repay the loan before June 30th and then take a new loan in July. If the legislative session ends without a balanced budget, their authority to take these loans becomes weaker. It is too early to know what the state's cash position will be. Trustee McElroy commented that MMB is working hard to resolve this issue.

4. FY 2011 Operating Budget (Second Reading)

Associate Vice Chancellor for Budget, Judy Borgen, reviewed the FY2011 Operating Budget. She noted that the packet contained new consultation letters which were received after the deadline for the April materials. A complete summary of the letters was included.

The total state resources did not change as a result of last minute legislative action. However, the basic institutional allocations increased by \$2M which was directed to be taken from the Office of the Chancellor budget.

Ms. Borgen noted that two colleges had changed their proposed tuition rates since the first reading (Minneapolis Community and Technical College and Northwest Technical College-Bemidji) resulting in an average tuition increase of 4.7% for the system. In response to a question asked at the April meeting about the increase of program and course tuition. Ms. Borgen noted that proposed program and course fees increased by an average of 4.3%. Trustee Frederick expressed concern over some program and course tuition rates which had larger increases. Currently the Board has a policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, distance learning, and contract postsecondary enrollment option programs.

Proposed general fees for athletics, health services, parking, statewide student association, student activity/life, and technology fees would result in an average annual increase of \$1.89 or \$0.07 per credit. Proposed Revenue Fund fees, which include room and board, wellness and recreation centers, and parking will increase from 4-7%.

The proposed FY 2011 average annual tuition and fees at the two-year colleges is \$4,984. For colleges with Revenue Fund fees, the average annual tuition and fees is \$5,012. The average annual tuition and fees for state universities is \$6,912 which includes student union facility and wellness center fees.

Vice Chancellor King reviewed how ARRA funds had been used to offset tuition in FY2010 and FY2011. In FY2012 the funds will no longer be available so students will see larger tuition bills. Trustee Benson suggested that it would be good to be able to advertise how much it costs for a student to attend Minnesota State Colleges and Universities. System Director for Financial Aid, Chris Halling, explained that the actual cost for each student is dependent on the type of financial aid they are eligible for. Trustee Thiss recommended packaging the message differently so that potential students are not intimidated by the total tuition number. Trustee Benson proposed referring this idea to the Advancement Committee.

Chris Halling noted that approximately 50,000 MnSCU students will not receive the benefits of the federal Pell Grant increases for the next academic year because any increase to a student's Pell Grant will produce a reciprocal change in the Minnesota State Grant – if the Pell Grant increases, the State Grant decreases, and vice versa. Only about 4,000 MnSCU students are likely to receive the Pell Grant increases. The Minnesota State Grant program is anticipating a shortfall in funds. Vice Chancellor King praised Mr. Halling for the terrific job he has done with the legislature, student groups and institutions.

President Robert Musgrove, co-chair of the Leadership Council's Finance and Administration Committee, reported that the Leadership Council discussed the operating budget during their last two meetings and presidents are aware of the tactical and strategic ramifications of their FY2011 operating budgets. Presidents feel the operating budget presented is a sound approach.

Trustee Van Houten questioned whether the system's reserve policy is within the benchmarks used outside the system. Vice Chancellor King noted that the Board directed campuses to preserve and strengthen their reserves for FY2012-2013. The Board should be concerned about CFI accreditation metric adopted by the Higher Learning Commission.

Trustee Van Houten moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Grendahl seconded the motion which carried with Trustee Frederick dissenting.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

- a. Adopt the annual total operating budget and general fund budget for fiscal year 2011 in Tables 6 and 7. Per Board Policy 5.9, the Board of Trustees will be periodically provided systemwide budget updates for all funding sources on an exception reporting basis.
- b. Approve the proposed tuition structure recommendations for fiscal year 2011 as detailed in attachments 1A through 1D. The percentage impact of residence tuition rates represents the maximum amount that can be applied to other tuition rates charged by the college or university not impacted by reciprocity agreements such as nonresident and off campus rates.

The tuition increase is effective Summer Term or Fall Term 2010 at the discretion of the president. The Chancellor is authorized to approve tuition structures for new courses or programs proposed after this date, as well as any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2012 tuition recommendations are presented to the Board of Trustees. The Board of Trustees continues the policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, distance learning, and contract postsecondary enrollment option programs.

- c. Approve the Revenue Fund fiscal year 2011 fees for room and board, student union, wellness and outdoor recreation facilities, and parking ramps/surface lots as detailed in attachments 2A and 2C through 2E.
- d. Approve the fiscal year 2011 fees for room and board for colleges who either own or manage student housing as detailed in attachment 2B.

5. MINNESOTA-NORTH DAKOTA INTERSTATE TUITION RECIPROCIY AGREEMENT (Action)

Associate Vice Chancellor Judy Borgen reported that the reciprocity agreement between the state of North Dakota and Minnesota has been in effect since 1975 and is reviewed and negotiated by the Minnesota Office of Higher Education and the North Dakota State University System after consultation with the Minnesota State Colleges & Universities and the University of Minnesota. Under the proposed agreement, there is no change impacting the Minnesota State Colleges and Universities. Only minor modifications were made to adjust years, system names, and language.

Trustee Van Houten moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Frederick seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the North Dakota/Minnesota Reciprocity Agreement (Attachment A) in accordance with Minnesota Statutes section, 136A.08, Subd. 6, effective July 1, 2010, subject to approval by the North Dakota State University System and the Minnesota Office of Higher Education.

6. FY2012-2017 CAPITAL BUDGET GUIDELINES (*Second Reading*)

Associate Vice Chancellor Allan Johnson reviewed the capital budget guidelines timeline and noted that campus final project submissions are due November 2010. Project development is underway at the campuses. Scoring and prioritizing of projects will begin in January 2012. The Board is scheduled to act on the capital budget request in late spring 2011.

Mr. Johnson noted two recommended changes from the first reading of the guidelines in April. Projects that were previously approved by the Board in 2010 or earlier will receive a preferential ten percent (10%) bonus of their subtotal score. Projects that were approved by the Board and also in the 2010 bonding bill will receive an additional five percent (5%) for a maximum of fifteen percent (15%) bonus of their subtotal score. The second change would require colleges and universities to indicate their institution's priority if they are submitting more than one capital project. Ten additional points will be awarded to the institution's number one (#1) priority project. Additional points will not be awarded for an institution's priorities other than its #1 priority project.

Trustee McElroy expressed concern that giving an additional 5% bonus to projects that the governor had vetoed would be insulting to the governor. He noted that the state budget is likely to be tight for a long time and the guidelines should emphasize future commitments not what was relevant 2 or 3 years ago. Trustee Hightower felt the bonus was a good way to acknowledge the prior investment that institutions have made to capital projects. Mr. Johnson noted the guidelines encourage the presidents to be supportive of the final budget request by knowing their projects will continue to rise in priority on the list.

Several trustees expressed dissatisfaction with the size of the current capital budget request. Vice Chancellor King noted that the size of the request would be discussed thoroughly in the fall and that the current discussion before the committee was to determine the guidelines for scoring projects.

Trustee McElroy moved to remove the 5% veto bonus from Attachment A. Trustee Grendahl seconded the motion which passed with Trustee Hightower dissenting.

Chancellor McCormick commented that he gets excellent feedback from legislators about our capital budget process. The presidents support each other and play a big role

with legislators. Trustee McElroy recommended promoting HEAPR projects better with legislators who do not have capital projects on the list. Mr. Johnson responded that the list of specific HEAPR projects is given to legislators and also promoted by the presidents with their local legislators.

Trustee Frederick moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Grendahl seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the FY2012-2017 Capital Budget Guidelines as presented and amended.

7. PROPOSED AMENDMENTS TO BOARD POLICIES (*Second Reading*)

Vice Chancellor King noted that the following policies were being presented for their second reading. The changes were characterized as housekeeping in nature.

Policy 5.14, Procurement and Contracts

The proposed amendment to Policy 5.14 requires approval by the Board of Trustees for inter-agency and intra-agency agreements, joint powers agreements that do not create a joint powers board, Minnesota Department of Administration master contracts, Office of Enterprise Technology master contracts or Minnesota State Colleges and Universities master contracts with a value greater than \$3,000,000. Trustee Van Houten requested that the policy be further amended to clarify that although annual reports on all procurement contracts with values greater than \$100,000 are available on the system's Web site they are also available upon request in other formats.

Policy 5.17 Resources Recovery and Environmentally Responsible Practices

The proposed amendment to Policy 5.17 Resources Recovery and Environmentally Responsible Practices clarifies responsibilities of the chancellor and college and university presidents. New language states that the chancellor, in concert with college and university presidents, shall develop system-wide procedures and initiatives that reflect long-term stewardship of the campus physical environment.

Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities

The proposed amendment to Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities states that the chancellor shall develop and implement processes by which the physical condition of system facilities can be assessed and gauged, and shall determine targets for annual operating budgets for campus-funded repair and replacement (R&R).

Trustee Grendahl moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Thiss seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves amending Policy 5.14 Procurement and Contracts, Policy 5.17 Resources Recovery and Environmentally Responsible Practices and Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities as shown in Attachments A-C as amended.

**8. FOLLOW-UP TO OLA EVALUATION OF THE SYSTEM OFFICE
(Information)**

Vice Chancellor King reported that progress on the OLA recommendations is on schedule.

Chair Renier recessed the meeting at 11:05 am.

Respectfully submitted,
Nancy Lamden, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** June 16, 2010

Agenda Item: North Hennepin Community College Property Surplus

- Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda: The Board may designate as “surplus” and approve the sale of real property under its control pursuant to Minnesota Statute §136F.60, subdivision 5. Under Board of Trustees Policy 6.7, Real Estate Transactions, Board approval is required for all sales of real property valued at or greater than \$250,000.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Allan Johnson, Associate Vice Chancellor Facilities

Outline of Key Points/Policy Issues: The Board is being asked to declare land at the North Hennepin Community College surplus and authorize the sale of the land to Hennepin County for use in constructing a county library and to the city of Brooklyn Park for a dedicated ring road.

Background Information: The college acquired approximately 23 acres of land north of the North Hennepin Community College campus in a land exchange with a developer in 2002. The land has been earmarked for future college development ever since. The college and county explored the idea of a joint library over a year ago, although that was set aside due to cost constraints. The county’s current request to purchase the land is for exclusive use as a county library.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD ACTION
North Hennepin Community College Surplus Property

BACKGROUND

The Board is being asked to declare land at the North Hennepin Community College surplus and authorize the sale of the land to Hennepin County for use in constructing a county library and to the city of Brooklyn Park for a dedicated ring road.

The Board may designate as “surplus” and approve the sale of real property under its control pursuant to Minnesota Statute §136F.60, subdivision 5. Under Board of Trustees Policy 6.7, Real Estate Transactions, Board approval is required for all sales of real property greater than \$250,000. Consistent with statutory requirements, the local jurisdictions have been notified of the planned surplus designation. As both the city and county are participants in this transaction, the school district was notified, although it is not expected that the school district will have an interest in the property.

DETAILS

The college and county began discussions over one year ago about locating a county library on the college’s land. Discussions at that time involved developing a joint college/county library, similar to the joint library on the Metropolitan State University campus with St. Paul. After review commenced, it was determined that the college could not afford the cost, and the idea was set aside.

This spring, the county initiated new discussions with the college about a direct sale of land to the county for construction of a county library. The proposal is for the county to purchase approximately 6.58 acres (287,000 sq. ft.) on which to construct a 30,000 – 40,000 sq. ft. library building. The estimated market value of the land is \$2.70 per square foot and would generate approximately \$775,000 in sale proceeds to the college for use in capital projects.

The site would include approximately 200-250 parking stalls (depending on the total building size), and a 13,750 sq. ft. bio-filtration pond. The library would be sited on the westerly side of the college’s 23.2 acre vacant parcel, itself located on the northeast corner of 85th Avenue North and West Broadway. See site sketch on **Attachment A**. The college had assembled this land for future college development, which involved a land exchange with a developer in 2002.

This proposal also contemplates construction of a new public ring road by the city of Brooklyn Park to serve the library site. The college is proposing to dedicate an additional 2.5 acres to the city for purposes of constructing the road. Costs to construct the road are estimated at approximately \$540,000, and discussions are ongoing regarding how costs are allocated among the parties. It is expected that the value of the land being conveyed for the road dedication will offset the road construction cost. The roadway will become a city street and the responsibility of the city after it is constructed.

The county will be responsible for platting the land, and shall be responsible for those costs. The college's conveyance to the county would be subject to a reversionary interest in the primary library parcel if the county discontinues use of the building as a county library or for related purposes. The college is also negotiating for the future right to use the library's parking lot during times when the library is not in use or when library parking demand is low.

The college would have approximately 12-14 acres leftover for future college development after the county library is developed.

NEXT STEPS

Pending Board of Trustees approval, the county board will consider the purchase approval at an upcoming board meeting. For its part, an information item was brought before the Brooklyn Park City Council at its May 24 meeting, where the council members were generally supportive of the library concept and city-built and owned ring road.

The city, county and college intend to enter into a development agreement that would govern the development responsibilities and costs for the site. Concurrently, the college and county will be entering into a purchase agreement.

RECOMMENDED COMMITTEE ACTION:

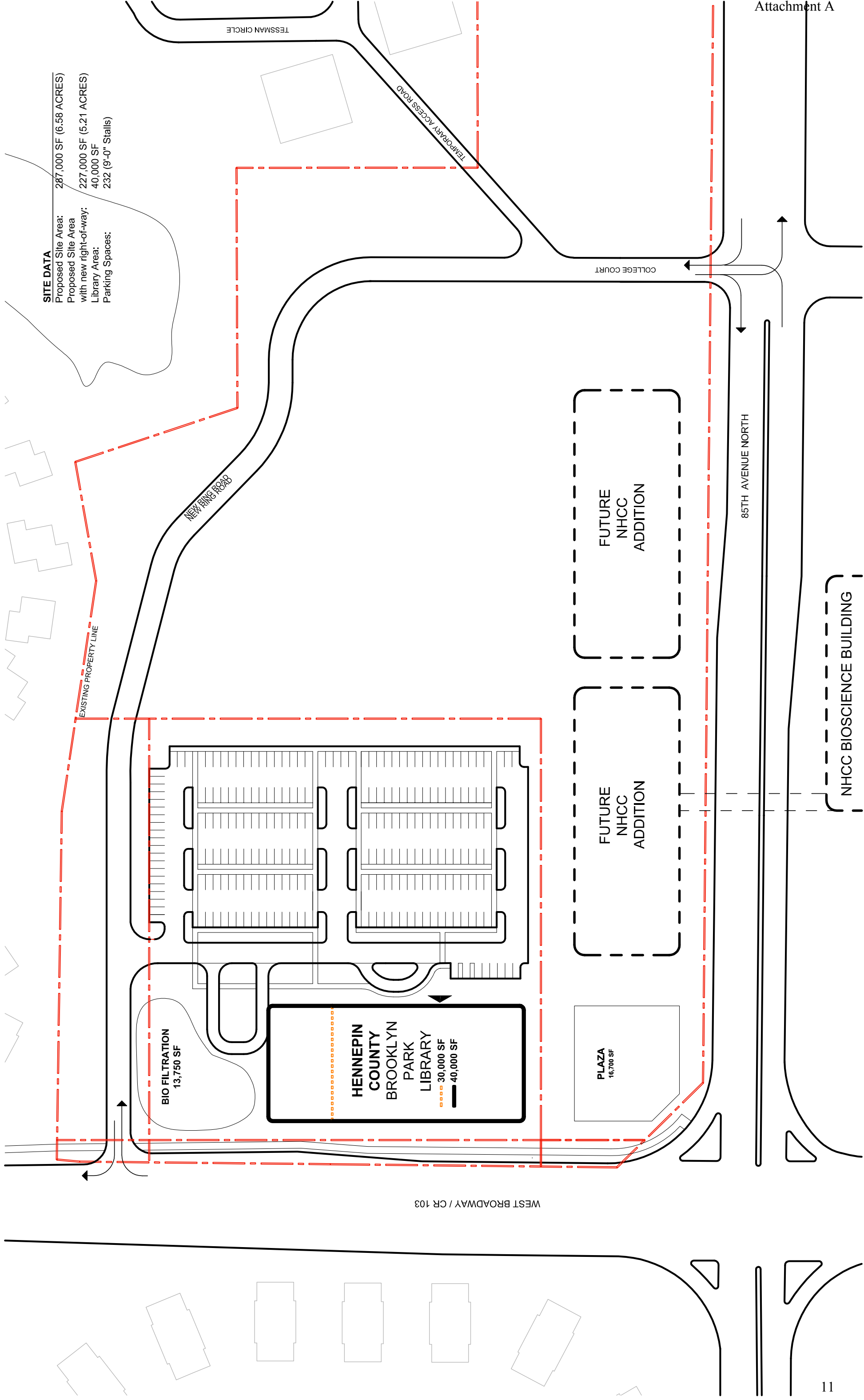
The Facilities/Finance Policy Committee recommends that the Board of Trustees adopt the following motion:

The Board of Trustees designates the land at the North Hennepin Community College needed for a county library and ring road as surplus and authorizes the chancellor or his designee to execute the documents necessary to finalize the transaction.

RECOMMENDED MOTION:

The Board of Trustees designates the land at the North Hennepin Community College needed for a county library and ring road as surplus and authorizes the chancellor or his designee to execute the documents necessary to finalize the transaction.

Date Presented to the Board: June 16, 2010



SITE DATA

Proposed Site Area: 287,000 SF (6.58 ACRES)

Proposed Site Area with new right-of-way: 227,000 SF (5.21 ACRES)

Library Area: 40,000 SF

Parking Spaces: 232 (9'-0" Stalls)

BIO FILTRATION
13,750 SF

HENNEPIN COUNTY
BROOKLYN PARK
LIBRARY
30,000 SF
40,000 SF

PLAZA
16,700 SF

FUTURE
NHCC
ADDITION

FUTURE
NHCC
ADDITION

NHCC BIOSCIENCE BUILDING

WEST BROADWAY / CR 103

NEW RING ROAD

TEMPORARY ACCESS ROAD

COLLEGE COURT

TESSIMAN CIRCLE

85TH AVENUE NORTH

Attachment A

HENNEPIN COUNTY - BROOKLYN PARK LIBRARY NHCC SITE

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** June 16, 2010

Agenda Item: Wells Fargo Place Lease

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires Board of Trustees approval of all contracts, including leases, valued greater than \$3 million.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
 Allan Johnson, Associate Vice Chancellor

Outline of Key Points/Policy Issues: The Office of the Chancellor started exploring the idea of restructuring the Wells Fargo Place lease over one year ago in response to operating budget reductions and a more favorable commercial real estate market that made the building ownership receptive to a restructured lease. Under the lease proposal contained in **Attachment B**, the Office of the Chancellor would extend the lease term another seven (7) years, from July 1, 2015 to July 31, 2022. In exchange, the 7th floor would be given back to the building at no penalty.

Background Information: The Office of the Chancellor currently leases 103,126 sq. ft. at Wells Fargo Place. The Office of the Chancellor has had a presence in Wells Fargo Place since 1996. The last major lease event involved the relocation of the Midway/Energy Park staff to Wells Fargo Place in 2005. At the time of the 2005 relocation to Wells Fargo Place, a new lease was executed, and a new ten (10) year term was established from August 1, 2005 to July 31, 2015.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

ACTION ITEM
Wells Fargo Place Lease

BACKGROUND

The Vice Chancellor – Chief Financial Officer started exploring the idea of restructuring the Wells Fargo Place lease over one year ago in response to operating budget reductions and a more favorable commercial real estate market that made the building ownership receptive to a restructured lease. The Chair and Vice Chair of the Finance, Facilities and Technology committee have been consulted throughout the negotiations. The Chair of the Board has also been periodically apprised of the negotiations.

The Office of the Chancellor has had a presence at Wells Fargo Place since 1996, and currently occupies 103,126 sq. ft. of office and meeting space, including portions of the atrium on the 2nd and 3rd floors, and tower space on floors 3 through 7. The current lease provides space for the Board of Trustees, approximately 304 employees and related support space. Current capacity at Wells Fargo Place is a total of 339 cubicles and offices.

The last major lease event involved the relocation of the Midway/Energy Park staff to Wells Fargo Place in 2005, which included revising the lease at Wells Fargo Place by approximately 51,000 sq. ft. At the time of the 2005 relocation to Wells Fargo Place, a new lease was executed, and a new ten (10) year term was established from August 1, 2005 to July 31, 2015. A summary of the current lease terms are contained in **Attachment A**.

There are also approximately 100 Office of the Chancellor personnel, mostly ITS and a few internal auditor staff that are located in space outside of Wells Fargo Place. The locations include a mix of campus owned and commercially leased space, including:

ITS

- 17,350 sq. ft. in the lower level of the Management Education Center building on the Minneapolis Community and Technical College campus, 1,152 sq. ft. in Eveleth at the Mesabi Range Community and Technical College, and 2400 sq. ft. at Minnesota West Community and Technical College campus in Granite Falls.
- Leased space in Waite Park/St. Cloud (8,476 sq. ft.), in Moorhead (3,009 sq. ft.), and at the main data center at the University of Minnesota’s West Bank Office Building (2,274 sq. ft.)

Internal Auditors

- Internal auditors are located at Riverland College in Owatonna, Hibbing Community College and at Minneapolis Community and Technical College.

RESTRUCTURED LEASE PROPOSAL

The Office of the Chancellor hired a real estate consulting firm to initiate discussions with the building owners in early 2009 regarding their willingness to restructure the current lease and achieve cost savings. Motivation for restructuring the lease now is that it would settle the lease issue in advance of a new chancellor's arrival and would eliminate the time and cost of a new space search, negotiations, and the disruption of employee relocation.

Early negotiations with building ownership focused on rent abatement that could give short-term, up-front rent relief, similar to what was achieved in 2005, plus an option to give up square footage at some time in the future. Building ownership balked at both up-front rent abatement and reduction in square footage. Continued negotiations resulted in the proposal before the committee today.

Under the lease proposal contained in **Attachment B**, the Office of the Chancellor would extend the lease term another seven (7) years, from August 1, 2015 to July 31, 2022 and, in exchange, the 7th floor would be given back to the building at no penalty. This translates to a reduction of 14,113 square feet effective January 1, 2012. Ordinarily, the lease would have required the payment of a pro-rata termination penalty. Elimination of the penalty, saves the Office of the Chancellor approximately \$200,000-\$300,000. Analysis of space needs and remaining capacity support the ability to eliminate this square footage.

There will be costs to reconfigure the remaining Office of the Chancellor space to absorb the occupants from the 7th floor. Those costs are not yet fully known. In anticipation of such costs, the building will reimburse the Office of the Chancellor costs incurred for planning, reconfiguring and moving out of the 7th floor space up to \$10 per square foot (approximately \$890,000). Any allowance not used for planning, moving or reconfiguration costs would be available for rent abatement later in the lease (after 2016).

The give back of the 7th floor achieves an initial cost savings during the remainder of the existing lease term of \$1.4 million from January 1, 2012 – July 31, 2015. The square footage reductions create an average rent savings over the term of approximately \$500,000 per year or roughly \$6 million from 2012-2022.

In gross rent terms, the effective average per square foot rent rate remains stable or slightly above what is projected if the lease continued without change. For the remainder of the existing lease term (2010-2015), the per square foot rent averages \$27.14. The proposed new lease costs an average of \$29.38 per square foot, assuming a 3% annual operating cost increase. The base rent rate increases \$1.50 per foot from 2011 to 2022.

PLANNING FRAMEWORK AND ON-GOING WORK

A lease amendment will be prepared to formalize the terms and conditions of the lease. Shortly thereafter, staff will begin planning the reconfiguration of Office of the Chancellor space. Planning work will commence from January to June 2011 and it is expected that phased moves would occur from July through December 2011. Move out and return of the 7th floor to the building would be complete as of December 31, 2011.

The planning work will take a fresh look at space configurations in the Office of the Chancellor, and will include the Minneapolis Community and Technical College space partially occupied by ITS. Plans will take into account currently existing infrastructure, and will attempt to locate units that would benefit from being co-located on the same floor or same areas.

RECOMMENDED COMMITTEE MOTION

The Finance, Facilities and Technology Committee recommends that the Board of Trustees approve the following motion:

The Board of Trustees authorizes the chancellor or his designee to execute a lease amendment with Unilev Management Corporation or its successor consistent with the terms summarized in **Attachment B** and outlined in the Letter of Intent between the two parties dated May 17, 2010.

RECOMMENDED MOTION

The Board of Trustees authorizes the chancellor or his designee to execute a lease amendment with Unilev Management Corporation or its successor consistent with the terms summarized in **Attachment B** and outlined in the Letter of Intent between the two parties dated May 17, 2010.

Date Presented to the Board: June 16, 2010

Current Lease Terms

Leased Premises: 103,126 rentable square feet
Term: 10 years (August 1, 2005 – July 31, 2015)
Years Left in Term: 5 years
Average Rent:
Overall: \$23.13 per square foot* (rent + operating expenses)**
\$2,385,691 per year*
\$23,856,915 total rent

Cost Breakout:

2005-2010: \$19.13 psf** (\$9.15 blended net)
\$1,972,505/yr.**
\$9,862,524 total

2011-2015: \$27.14 psf* (\$12.24 blended net)
\$2,798,878/yr.*
\$13,994,392 total

* assumes 3% increase in operating costs for remainder of term

** Includes free rent and reduced operating costs in atrium for first 2 years

PROPOSED LEASE TERMS**Extension Term (2010 – 2022)**

Extension:	7 years (August 1, 2015 – July 31, 2022)
Total Sq. Ft:	89,013 sq. ft.
Rent Abatement:	Any funds left over from the reconfiguration applied toward rent abatement after 1/1/17
Net Base Rent:	2016-17: \$13.00 per rentable square foot. 2018-19: \$13.25 per rentable square foot. 2020-21: \$13.50 per rentable square foot. 2022: \$13.75 per rentable square foot.
Operating Expense:	From the lease commencement date, Tenant shall continue to pay its proportionate share of real estate taxes and operating expenses of the building. (2010 estimates: \$14.32 per square foot).
Ave Rent:	\$29.38 per square foot (rent + operating expenses) \$2,682,724 per year
Termination:	There shall be no termination fee payable for the “turn back” of the 7 th floor. Existing lease termination penalty shall remain in place through 7/31/15. TIs and Commissions paid shall be added to the penalty amount and remain in full until 8/1/15 at which time they will be amortized over the remaining lease term at 8%.

Summary (2010 – 2022)

Costs/Status Quo:	\$40,224,800
Costs without 7 th floor:	\$34,875,414
No 7 th Floor + rent abatement:	\$33,985,284
Net Cost Savings:	\$6,239,516

Summary includes necessary base rent rate and operating cost assumptions over the term

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** June 16, 2010

Agenda Item: Proposed Amendment to Board Policy 6.5 Capital Program Planning
(First Reading)

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure is to be reviewed at least once every five years.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - Chief Financial Officer

Outline of Key Points/Policy Issues:

Board policies and procedures are reviewed to:

1. assure contemporary and responsible business practices are maintained
2. assure the system's current financial and operating control mechanisms are sustained or strengthened
3. assure continuity of operations
4. clarify conflicting or misunderstood information
5. eliminate redundancy

Background Information: The Finance Division is responsible for reviewing and proposing amendments to most board policies in Chapters 5, 6, and 7.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

First Reading

BOARD ACTION

Proposed Amendment to Board Policy 6.5 Capital Program Planning

BACKGROUND

Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure is to be reviewed at least once every five years. This purpose of this review is to:

1. assure contemporary and responsible business practices are maintained
2. assure the system's current financial and operating control mechanisms are sustained or strengthened
3. assure continuity of operations
4. clarify conflicting or misunderstood information
5. eliminate redundancy

The following policies contain language and syntax revisions in addition to the specific changes noted.

Policy 6.5, Capital Program Planning

The change to Policy 6.5 makes it consistent with existing Board Policy 1A.1 Part 7.

Colleges and universities shall not seek funding for any capital project that has not been approved by the Board as provided in Part 1 of this policy or Board Policy 1A.1 Part 7.

RECOMMENDED COMMITTEE ACTION

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves amending Policy 6.5 Capital Program Planning as shown in Attachment A.

RECOMMENDED BOARD ACTION

The Board of Trustees approves amending Policy 6.5 Capital Program Planning as shown in Attachment A.

Date Presented to the Board: June 16, 2010

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

BOARD POLICY		6.5
Chapter 6	Chapter Name	Facilities Management
Section 6.5	Policy Name	Capital Program Planning

6.5 Capital Program Planning

Part 1. Policy Statement. The Board ~~of Trustees~~ is committed to long-term stewardship of the state's facilities resources. The Board ~~of Trustees~~ shall establish criteria for and approve capital program guidelines and a multi-year capital budget, including a prioritized capital project list.

Part 2. Responsibilities. The chancellor shall develop and recommend capital program guidelines and a prioritized, system-wide capital budget including a long-term asset preservation and renewal program. The president of each college and university shall identify capital project requirements for submission to the chancellor consistent with Part 1.

Colleges and universities shall not seek funding for any capital project that has not been approved by the Board as provided in Part 1 of this policy or Board Policy 1A.1 Part 7.

The chancellor shall develop design and construction standards and contracting procedures for all facilities projects, and shall direct appropriate planning, design and construction of facilities to ensure long-lived, substantial and sustainable campus facilities.

Part 3. Accountability and Reporting. The ~~chancellor~~~~Board of Trustees~~ shall be periodically shall ~~advised~~ the Board of the status of the capital program, ~~that will include~~ reports on each project execution status, material changes in budget, scope and schedule, and post-occupancy results.

Date of Implementation: 06/21/00, Date of Adoption: 06/21/00,

Date and Subject of Revision: 06/21/06 – Part 2 – changed “low maintenance” to “sustainable” campus facilities 12/7/05 – Amends Part 1 to clarify that the Board will establish criteria for and approve capital program guidelines and a multi-year capital budget, including a prioritized capital project list. Amends Part 2 to clarify that the Chancellor will develop and recommend program guidelines and contracting procedures, and direct planning, design and construction of facilities to assure long-lived, substantial and low maintenance facilities. Amends Part 3 to require period reports to the Board on each project’s status, including changes in the budget, scope and schedule.

06/18/03 – revises Part 1 to delete Board approval of schematic designs for projects over \$5 million 06/21/00 - Repeals Board policies 6.1 and 6.2 (language in 6.2 was moved to Procedure 6.5.6);

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** June 16, 2010

Agenda Item: Sustainability Update

- Proposed Policy Action Approval Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda:

The purpose of this report is to present an overview of the activities that have been undertaken to promote sustainability at the colleges and universities.

Scheduled Presenter(s): Allan Johnson, Associate Vice Chancellor Facilities

Outline of Key Points/Policy Issues: Work will continue in the area of sustainability at colleges and universities through campus-focused initiatives. Limited resources at the Office of the Chancellor will be applied towards a continued focus on policies and procedures, maintenance of system planning, design and construction standards, and professional assistance to our campuses. The system must also stay abreast of and respond to constant changes in state and federal laws and requirements for the full spectrum of activities under the sustainability umbrella.

Background Information: In May, 2009 the Board approved the FY2010 Action Plan for the system. Contained therein was a new initiative, *Energy Conservation*, under Strategic Direction 4, Goal 4.2: *Energy Conservation* – Develop policy and prepare a plan to advance sustainable campuses by focusing on improved facilities planning processes, construction, renovation and operation of campus facilities.

**BOARD OF TRUSTEES
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

INFORMATION
Sustainability Update

BACKGROUND

In May, 2009 the Board approved the FY2010 Action Plan for the system. Contained therein is a new initiative, *Energy Conservation*, under Strategic Direction 4, Goal 4.2:

Energy Conservation – Develop policy and prepare a plan to advance sustainable campuses by focusing on improved facilities planning processes, construction, renovation and operation of campus facilities.

The following four areas of focus are included under this initiative:

1. *Develop a comprehensive environmental sustainability policy for Board adoption* to advance sustainable campuses by focusing on improved facilities planning processes, construction, renovation and operation of campus facilities.
2. *Publish procedures and standards* for sustainable planning, design, construction and operation of facilities.
3. *Develop a system-wide “energy benchmarking” system* to capture data on consumption of energy in the campus physical plant, guide establishment of benchmarks, and measure and compare progress in reducing energy consumption and costs.
4. *Report to the Board on accomplishments* towards achieving sustainable campuses.

STATUS

POLICY: Board Policy 5.17 has been rewritten and renamed “*Sustainability, Resources Conservation and Recovery, and Environmentally Responsible Practices.*” The revised policy was approved by the Board at the May 2010 meeting.

In addition, Board Policy 6.4, Facilities Planning, was amended in April 2010 to require that planning for facilities modernization, renewal and improved sustainability be added to each president's scope of responsibility. Board Policy 6.6, Facilities Maintenance and Repair, was amended in May 2010 to add energy efficiency as a component of facilities management.

PROCEDURES AND STANDARDS: Guidelines for preparation of campus Master Facilities Plans and capital project predesigns have been updated to consider

sustainability of the campus physical environment as an important component of overall campus development and specific capital project development. Planning concepts are stressed that reduce excess square footage, reuse and create multipurpose space, and repurpose existing buildings for new and improved programmatic use.

The system's Facilities Design and Construction Standards have long been recognized by the building industry as producing well-built, energy efficient, and long-lasting facilities. These Standards have also been updated to comply with state sustainability requirements known as "B3" (Buildings, Benchmarks and Beyond) and LEED (Leadership in Energy and Environmental Design sponsored by US Green Building Council). This assures that any significant new construction or major renovation project that complies with the MnSCU Design and Construction Standards and state B3 Standards would yield a LEED certifiable project at the "Silver" certification level.

ENERGY BENCHMARKING: "Energy Benchmarking" is critical because you "cannot improve what you do not measure." The state, formerly through the Department of Administration, has had a web-based energy data recording system in place for several years under the statutory umbrella of B3. This system has not been utilized to its full capacity, and many colleges and universities simply did not record energy consumption data. No quality control and coordinated monitoring was taking place. While stronger emphasis is now being placed on the B3 system, primarily because of increased interest by the governor and legislature, B3 still lacked a management structure to allow colleges, universities and the Office of the Chancellor to record, report and manage energy consumption uniformly and system-wide. In May 2009, campuses began in earnest to update energy consumption and facility information in the B3 Energy Benchmarking system with assistance from consultants, The Weidt Group in collaboration with LHB Architects. The objective is to support enhanced maintenance of this web-based system, while creating MnSCU-specific reports for energy management purposes. Once in full operation, with increased assurance of data integrity, energy use comparisons to benchmarks and among campuses will be possible. A natural outcome will be establishment and measurement of energy reduction goals.

The B3 Energy Benchmarking program maps actual energy consumption of a specific building or facility, subject to each campus' metering scheme. Square footage data represents academic and non-academic buildings, as well as "special circumstance" situations such as parking lots and other non-building functions.

The B3 benchmarking system:

- Tracks actual monthly energy consumption from all fuel sources
- Compares actual consumption on a year by year basis
- Compares actual data to standard energy benchmarks for the building type and functional use

As a result, as all campuses begin using the B3 system, they will also be able to identify buildings that have the best opportunities for energy reduction.

ENERGY BENCHMARKING RESULTS TO DATE: Utilities data (electrical power, natural gas, fuel oil, district steam, and potable water) was captured and entered by each campus for the years 2006 through 2009. Data from 2009 still has some gaps, but is adequate to serve as a baseline of sorts for fine-tuning the program. Colleges and universities are being encouraged to closely review current and future entries while observing report results.

Attachment A provides energy consumption information for calendar year 2009 based on utility data provided by each college and university. More work is needed to resolve reporting problems and to gain a deeper understanding of the data. Nevertheless, these preliminary results are encouraging from a data collection and reporting perspective.

<u>Energy Costs</u>	<u>kBtu per sq ft</u>	<u>Cost per sq ft</u>
\$31.6 million	101.68/sq ft	\$1.19/sq ft

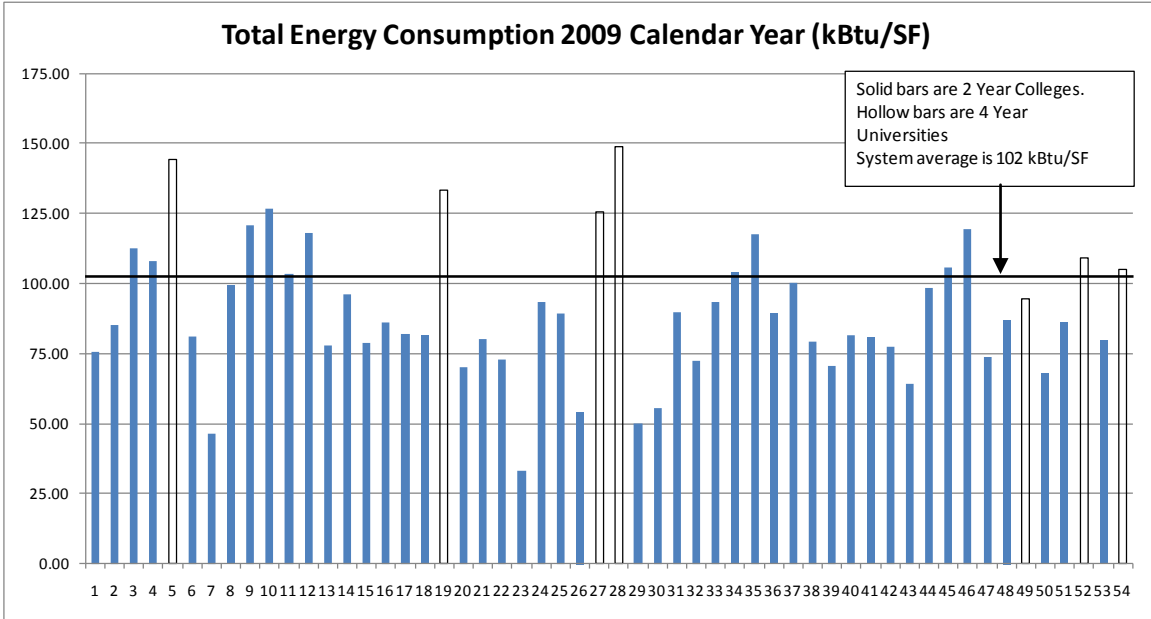
The indicator kBtu/sf is a widely used metric to measure and compare energy use. A joint Midwest Higher Education Compact (MHEC) and Association of Higher Education Facilities Officers (APPA) survey in 2009, in which MnSCU participated, indicated a range from 40 kBtu/sf to a high of 158 kBtu/sf with the average of 93 kBtu/sf at surveyed institutions in the Midwest. While averages may not be a useful guide to improve individual buildings, they do provide a method to set goals, measure overall improvement, compare campuses, and point out anomalies.

In the case of MnSCU campuses, the B3 Benchmarking project indicates an average energy use of 101.68 kBtu/sf. While the data is still subject to further analysis, it is believed the quality control is fairly reliable. Thirty-eight campuses are below the average, with some less than half the average. Sixteen campuses are above the average due to a variety of reasons including initial building construction, significant residential components (which have more intense use), operational hours and academic programs that require considerable energy.

This preliminary data indicates that the highest Kbtu/sf reported in the system is at one of the oldest state universities. Until four years ago, this campus also had the highest Facilities Condition Index (FCI), an indication of a long-standing problem. However, over the last ten years, there have been four major capital investments which should ultimately improve energy efficiency. Recently this campus also signed up for the state's Public Buildings Enhanced Energy Efficiency Program (PBEEEP) to better understand its energy use and take steps to improve. Other campuses with above average energy consumption may be candidates for replacement of mechanical equipment either through capital renewal, re-commissioning, guaranteed energy savings contracts.

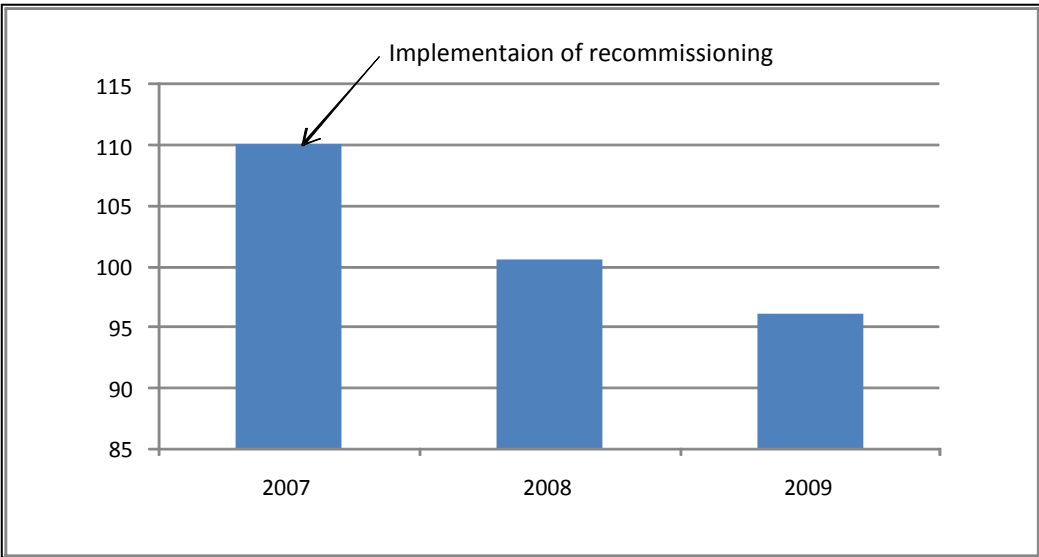
Chart 1 indicates overall average energy consumption in Kbtu/sf for all system campuses based on calendar year 2009 data.

Chart 1



Campuses that are already tracking energy use have demonstrated improvements. Inver Hills Community College was concerned that their energy consumption was higher than other metro-area schools. The Office of the Chancellor assisted the college and seven others by funding re-commissioning studies beginning in 2006. The re-commissioning report recommended adjustments and improvements to several mechanical systems. Work was funded through energy rebates, the HEAPR program, and college funds for quick pay-back items, and was completed in 2008. Chart 2 shows the immediate impact of the work at Inver Hills.

Chart 2



Attachment B is a typical set of reports available to an institution to enable in-house monitoring and tracking of energy use. Quarterly reports are now available to campuses starting in June 2010. This will help improve data accuracy and reliability as the benchmarking system improves over the next year. These detailed reports can also be used to analyze energy purchases, consider alternative fuels, decide on funding for certain repairs, and evaluate return on investment for new mechanical equipment and other related energy efficiency improvements.

In addition to measuring the usual energy sources, the benchmarking program will allow measurement of:

- Carbon emissions, based on energy consumption converted to pounds of carbon dioxide per square foot. The 2009 system results show an average carbon use of 25.79 lbs/sf.
- Potable water consumption, based on gallons per occupant per day. Consumption in 2008 averaged 5 gallons per occupant per day, ranging from 0.09/gallons to a high of 18.5 gallons per occupant per day. The realization of water use by a campus may be the first step towards conservation.

Campuses have been asked to enter and review energy data on a regular basis, preferably monthly as bills are received. There have been mixed results to date in terms of difficulty of entering data. Some campuses have diligently kept track of energy usage and costs for many years; others less so. One college Chief Financial Officer commented that he had saved information for eight years and now finally had a mechanism to capture and compare data. Other campuses will need further encouragement and follow-up to ensure data is entered promptly.

Another method to improve accuracy is to separately meter each building. Since separate metering was not considered important when most facilities were built, very few campuses have the necessary meters. The number of natural gas and electric meters on campuses range from 2 to 89, with a total of 682 meters for the entire system. Installing sub-meters for each building could help improve energy efficiency performance. Design and Construction Standards now require separate meters in new construction and/or significant renovations. Over time, adding meters will improve analysis of building energy use and assist development of energy efficient projects. As monitoring and reporting becomes more routine, institutions will see the value in having additional metering installed for management purposes.

REPORTING ACCOMPLISHMENTS: The Center for Sustainable Building Research (CSBR), a research entity of the University of Minnesota, is assisting us in developing a report of campus accomplishments towards sustainability. This report is based on campus information entered into a web-based template beginning in April 2010. Questions relating to building type, energy use, water, food, waste, transportation, landscaping, campus culture, purchasing and carbon emissions were asked and answered. Results across the system are very diverse. Each campus has developed their unique response to the issue of sustainability considering their regional location, academic

2009 Annual Summary Energy Report

Generated on 05/24/2010

Institution and Campus	# of Sites	# of Meters	Organization SF*	Total consumption by fuel source in native units							All fuel source and emission totals					All fuel sources and emissions Per SF	
				Electricity (kWh)	Natural Gas (therms)	Steam/Hot Water (mmBtu)	Fuel Oil (gallons)	Propane (gallons)	Total Energy Consumption (kBTU)	Total Energy (\$)	Total CO2 (metric tons)	Total (kBTU/SF)	Total Energy (\$/SF)	Total CO2 (lbs/SF)			
Alexandria Technical College	1	23	449,668	3,640,078	209,623	0	0	0	33,930,936	\$432,780.55	4,152	75.46	\$0.96	20.36			
Anoka Technical College	1	11	353,310	2,904,623	196,126	0	171	0	30,059,753	\$396,833.29	3,472	85.08	\$1.12	21.66			
Anoka-Ramsey Community College, Cambridge	1	7	113,352	1,674,312	68,825	0	0	0	12,775,893	\$208,160.66	1,760	112.71	\$1.84	34.22			
Anoka-Ramsey Community College, Coon Rapids	1	8	380,446	3,842,573	272,200	0	91	0	41,055,092	\$508,410.27	4,661	107.91	\$1.34	27.01			
Bemidji State University	27	79	1,602,910	11,427,428	37,993	158,898	0	0	201,797,639	\$2,114,608.91	17,907	144.46	\$1.49	27.10			
Central Lakes College, Brainerd	1	4	347,079	3,129,226	170,911	0	0	0	28,215,555	\$359,007.98	3,519	81.29	\$1.03	22.35			
Central Lakes College, Staples	1	8	266,850	1,096,530	84,041	0	0	0	12,365,113	\$173,671.00	1,365	46.34	\$0.65	11.27			
Century College	1	13	728,377	8,612,446	419,756	0	0	0	72,461,217	\$977,087.65	9,409	99.48	\$1.34	28.48			
Dakota County Technical College	1	12	543,521	4,785,815	470,651	0	6,881	0	65,578,441	\$589,279.24	6,591	120.65	\$1.08	26.73			
Fond du Lac Tribal and Community College	1	10	173,274	2,283,560	138,084	0	0	0	21,961,255	\$294,640.66	2,641	126.74	\$1.70	33.60			
Hennepin Technical College, Brooklyn Park	1	11	423,922	4,013,368	294,727	0	0	0	43,936,598	\$512,410.64	4,924	103.64	\$1.21	25.61			
Hennepin Technical College, Eden Prairie	1	16	395,697	3,880,783	325,694	0	0	0	46,661,299	\$521,813.15	4,983	117.92	\$1.32	27.76			
Inver Hills Community College	1	8	298,245	3,885,316	130,241	0	14,577	0	28,647,632	\$471,086.99	4,070	96.05	\$1.58	30.09			
Lake Superior College	1	22	362,775	4,409,939	158,416	0	0	0	31,304,623	\$435,154.00	4,510	86.29	\$1.20	27.41			
Metropolitan State University	1	13	280,248	4,945,060	200,075	0	0	0	37,405,171	\$514,597.43	5,179	133.47	\$1.84	40.74			
Minneapolis Community and Technical College	1	25	1,205,861	7,806,381	537,194	0	21,164	0	84,698,417	\$972,008.05	9,596	70.24	\$0.81	17.54			
Minnesota State College-Southeast Technical, Redwing	1	4	102,343	886,457	43,098	0	5,446	0	8,203,695	\$102,807.24	1,023	80.16	\$1.00	22.04			
Minnesota State College-Southeast Technical, Winona	1	12	228,358	1,781,076	103,365	0	0	0	16,684,059	\$240,306.19	2,036	73.06	\$1.05	19.66			
Minnesota State Community & Technical College, Detroit Lakes	1	8	191,824	1,356,666	16,517	0	0	0	6,324,899	\$160,619.16	1,212	32.97	\$0.84	13.93			
Minnesota State Community & Technical College, Fergus Falls	1	6	165,862	1,544,850	99,447	0	0	0	15,475,809	\$155,767.06	1,819	93.31	\$0.94	24.18			
Minnesota State Community & Technical College, Moorhead	1	5	190,328	1,653,480	110,502	0	0	0	16,980,784	\$207,988.20	1,969	89.22	\$1.09	22.81			
Minnesota State Community & Technical College, Wadena	1	7	136,836	1,071,015	36,382	0	0	0	7,388,145	\$108,058.93	1,084	53.99	\$0.79	17.46			
Minnesota State University, Mankato	1	21	2,730,608	32,963,494	2,244,465	0	0	0	342,786,549	\$3,631,902.51	39,484	125.53	\$1.33	31.88			
Minnesota State University Moorhead	11	33	1,736,998	20,611,843	1,560,683	0	71,995	920	240,557,799	\$2,258,207.08	26,281	148.75	\$1.44	34.71			
Minnesota West Community & Technical College, Worthington	1	8	144,735	1,410,441	84,681	0	0	0	13,502,113	\$171,693.60	1,628	93.29	\$1.19	24.79			
Mn West Community and Technical College, Canby	1	4	92,558	498,233	28,506	0	0	0	4,625,229	\$62,253.98	567	49.97	\$0.67	13.51			
Mn West Community and Technical College, Granite Falls	1	3	97,548	573,252	33,620	0	0	0	5,405,914	\$85,349.91	657	55.42	\$0.87	14.85			
Mn West Community and Technical College, Jackson	1	6	102,050	552,470	70,801	0	0	0	9,149,716	\$103,166.93	842	89.66	\$1.01	18.20			
Mn West Community and Technical College, Pipestone	1	3	100,344	546,268	52,481	0	0	0	7,248,990	\$84,936.53	738	72.24	\$0.85	16.20			

2009 Annual Summary Energy Report

Generated on 05/24/2010

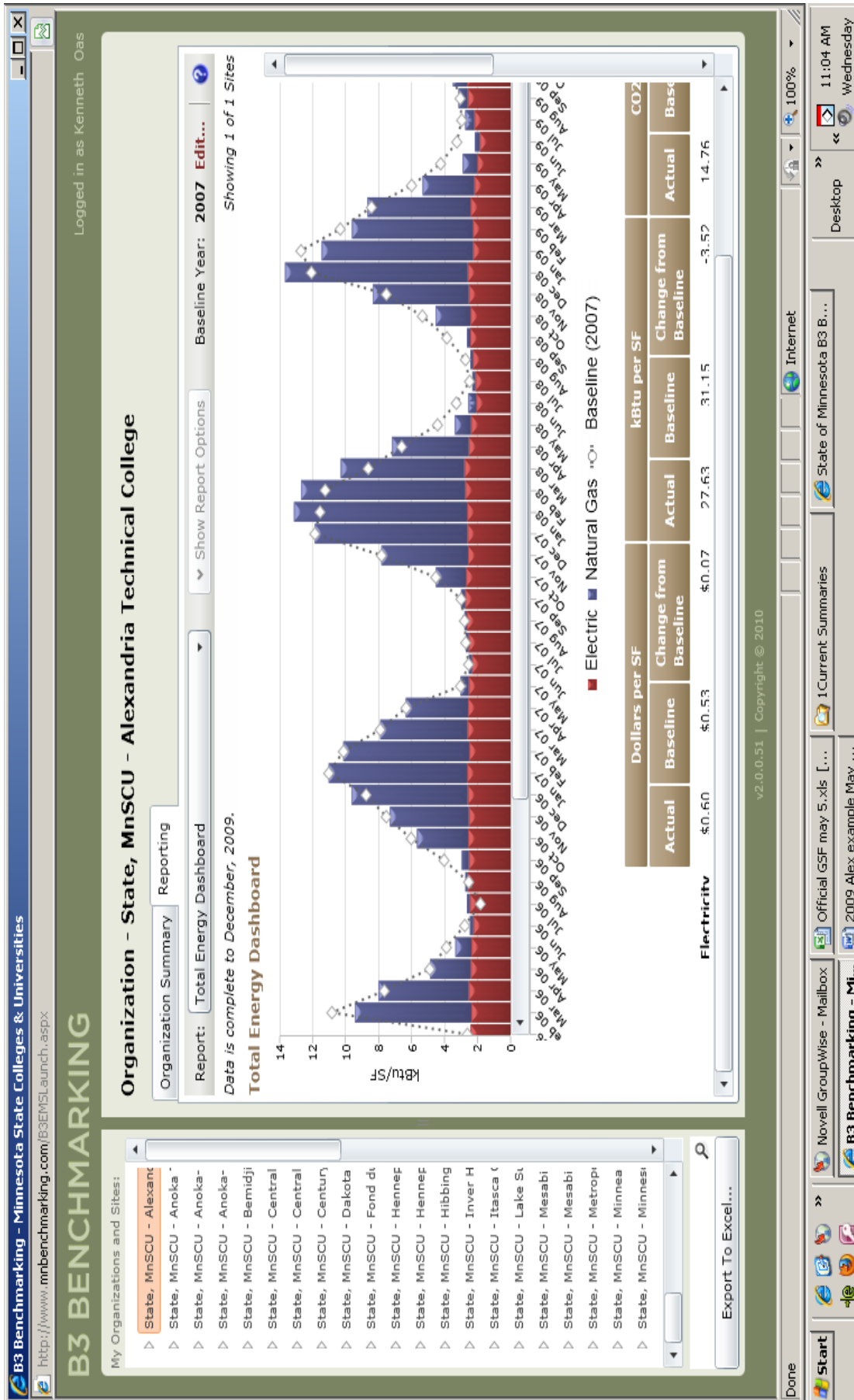
Institution and Campus	Total consumption by fuel source in native units							All fuel source and emission totals					All fuel sources and emissions Per SF	
	# of Sites	# of Meters	Organization SF*	Electricity (kWh)	Natural Gas (therms)	Steam/Hot Water (mmBtu)	Fuel Oil (gallons)	Propane (gallons)	Total Energy Consumption (kBTU)	Total Energy (\$)	Total CO2 (metric tons)	Total (kBTU/SF)	Total Energy (\$/SF)	Total CO2 (lbs/SF)
Normandale Community College	1	6	476,110	7,687,311	225,958	0	0	0	49,420,125	\$733,257,67	7,588	103.80	\$1.54	35.14
North Hennepin Community College	1	7	407,083	5,257,900	284,733	0	4,417	0	47,772,161	\$579,431.11	5,944	117.35	\$1.42	32.19
Northeast Higher Ed District, Hibbing Community College	1	10	362,583	2,953,993	52,128	12,776	0	0	28,205,871	\$549,284.61	3,390	77.79	\$1.51	20.61
Northeast Higher Ed District, Mesabi Comm Tech College-Virginia	1	3	124,211	1,117,504	226	6,284	0	0	10,120,896	\$239,518.60	1,252	81.48	\$1.93	22.22
Northeast Higher Ed District, Itasca Community College	1	8	233,604	1,941,753	114,636	0	0	0	18,388,856	\$216,141.78	2,230	78.72	\$0.93	21.05
Northeast Higher Ed District, Mesabi Comm Tech College-Eveleth	1	3	84,373	909,835	36,745	0	0	308	6,903,792	\$99,377.34	954	81.82	\$1.18	24.94
Northeast Higher Ed District, Rainy River Community College	1	5	113,577	956,694	58,343	0	0	0	9,251,164	\$113,994.60	1,109	81.45	\$1.00	21.53
Northeast Higher Ed District, Vermilion Community College	1	7	206,533	1,723,008	0	0	70,765	7,740	16,425,499	\$290,363.50	2,188	79.53	\$1.41	23.35
Northland Community and Technical College, East Grand Forks	1	6	171,244	1,676,110	93,388	0	0	0	15,303,125	\$156,390.22	1,895	89.36	\$0.91	24.39
Northland Community and Technical College, Thief River Falls	5	18	324,597	3,597,763	197,699	0	0	0	32,563,103	\$442,518.84	4,052	100.32	\$1.36	27.52
Northwest Technical College, Bemidji	1	8	104,445	916,523	50,374	0	0	0	8,296,497	\$102,432.20	1,032	79.43	\$0.98	21.79
Pine Technical College	1	8	98,394	940,637	36,303	0	0	0	6,935,125	\$115,292.42	976	70.48	\$1.17	21.86
Ridgewater College, Hutchinson	1	5	195,906	2,189,395	81,219	0	0	0	15,805,457	\$287,325.09	2,253	80.68	\$1.47	25.35
Ridgewater College, Willmar	1	15	490,964	3,761,330	245,887	0	0	0	38,065,382	\$418,555.79	4,450	77.53	\$0.85	19.98
Riverland Community College, Albert Lea	1	6	146,322	917,137	61,071	0	0	0	9,396,037	\$119,029.81	1,091	64.21	\$0.81	16.44
Riverland Community College, Austin	1	12	361,379	2,897,353	250,945	0	0	0	35,635,579	\$505,866.39	3,763	98.61	\$1.40	22.95
Riverland Community College, Owatonna	1	2	24,900	326,179	14,812	0	0	0	2,632,911	\$49,022.54	350	105.74	\$1.97	31.03
Rochester Community and Technical College	4	15	826,527	13,787,183	183,972	7,903	0	0	73,834,135	\$921,107.81	12,815	119.23	\$1.48	37.60
South Central College, Faribault	1	3	91,567	672,467	43,321	0	0	0	6,739,820	\$88,483.96	792	73.61	\$0.97	19.07
South Central College, Mankato	1	4	302,315	2,606,176	169,048	0	0	0	26,239,183	\$302,936.16	3,076	86.79	\$1.00	22.43
Southwest Minnesota State University	1	6	1,276,778	33,748,922	16,257	0	0	0	116,853,083	\$1,078,429.20	28,001	94.57	\$0.87	49.97
St Cloud Technical and Community College	1	12	397,058	3,623,605	141,715	0	0	0	26,907,327	\$403,509.16	3,769	67.77	\$1.02	20.92
Saint Paul College	1	7	510,112	5,021,226	24,460	24,200	0	0	43,846,534	\$981,476.68	5,542	85.95	\$1.92	23.95
St. Cloud State University	1	87	3,182,587	29,999,592	2,112,152	0	200,696	2,525	347,200,890	\$3,767,765.90	38,362	109.09	\$1.18	17.06
Winona State University	1	29	2,125,411	18,970,659	1,495,421	0	35,586	0	223,118,954	\$2,145,937.92	24,194	104.98	\$1.01	25.10
TOTAL ALL ORGANIZATIONS	97	682	26,584,507	285,987,238	14,189,918	210,059	431,788	11,492	2,703,048,845	\$31,562,057.10	329,147	101.68	\$1.19	27.30

NOTE:
 Lighter numbers indicate meters with significant gaps in consumption data or with minor gaps in consumption data that the program estimates.
 *Organization SF represents the average square foot over the duration of the year, taking in to account that the overall square footage can change throughout the year as buildings are added or removed.

Alexandria Technical College – Example of Reports

The following report is monthly energy usage for natural gas and electricity.

A comparison of total energy is also made to the 2007 baseline.



Monthly Total Dollars by Month – Overlapped Years

B3 Benchmarking - Minnesota State Colleges & Universities
 http://www.mnbenchmarking.com/B3EMSLaunch.aspx

B3 BENCHMARKING

My Organizations and Sites:
 > State, MnSCU - Alexandria
 > State, MnSCU - Anoka
 > State, MnSCU - Anoka
 > State, MnSCU - Anoka
 > State, MnSCU - Bemidji
 > State, MnSCU - Central
 > State, MnSCU - Central
 > State, MnSCU - Central
 > State, MnSCU - Dakota
 > State, MnSCU - Fond du Lac
 > State, MnSCU - Hennepin
 > State, MnSCU - Hennepin
 > State, MnSCU - Hibbing
 > State, MnSCU - Inver Hills
 > State, MnSCU - Itasca
 > State, MnSCU - Lake Superior
 > State, MnSCU - Mesabi
 > State, MnSCU - Mesabi
 > State, MnSCU - Metropolitan
 > State, MnSCU - Minnesota
 > State, MnSCU - Minnesota

Export To Excel...

Organization Summary Reporting

Report: Total Fuel Consumption (Dollars) by Month

Baseline Year: 2007 Edit...

Showing 1 of 1 Sites

Monthly Year Over Year

All Fuel

Year	Days	Average SF	Total Dollars	Normalized Baseline Dollars	Change from Baseline Dollars	% Change	Total Energy Cost \$	Average Cost Rate \$ /kBtu
2005	0	390,404	Missing	Missing	-	-	-	-
2006	365	390,404	314,966.10	333,423.79	-18,457.69	-6%	\$314,966.10	\$0.09
2007	365	390,404	375,154.58	375,154.58	0.00	0%	\$375,154.58	\$0.10
2008	366	390,404	431,024.87	399,321.98	31,702.89	8%	\$431,024.87	\$0.12
2009	365	449,668	432,780.55	451,081.83	-18,301.28	-4%	\$432,780.55	\$0.11
2010	31	449,668	37,505.20	40,303.21	-2,798.01	-7%	\$37,505.20	\$0.87

Data is complete to December, 2009.

v2.0.0.51 | Copyright © 2010

Done

Start

Novell GroupWise - Mailbox

B3 Benchmarking - Mi...

Official GSF may 5.xls [...]

1Current Summaries

State of Minnesota B3 B...

Internet

Desktop

100%

11:13 AM

Wednesday

B3 BENCHMARKING

My Organizations and Sites:

- ▶ State, MnSCU - Alexandria
- ▶ State, MnSCU - Anoka
- ▶ State, MnSCU - Anoka-
- ▶ State, MnSCU - Anoka-
- ▶ State, MnSCU - Bemidji
- ▶ State, MnSCU - Central
- ▶ State, MnSCU - Central
- ▶ State, MnSCU - Centun
- ▶ State, MnSCU - Dakota
- ▶ State, MnSCU - Fond du
- ▶ State, MnSCU - Hennep
- ▶ State, MnSCU - Hennep
- ▶ State, MnSCU - Hibbing
- ▶ State, MnSCU - Inver H
- ▶ State, MnSCU - Itasca
- ▶ State, MnSCU - Lake Su
- ▶ State, MnSCU - Mesabi
- ▶ State, MnSCU - Mesabi
- ▶ State, MnSCU - Metropr
- ▶ State, MnSCU - Minnea
- ▶ State, MnSCU - Minnesi

Export To Excel...

Organization - State, MnSCU - Alexandria Technical College

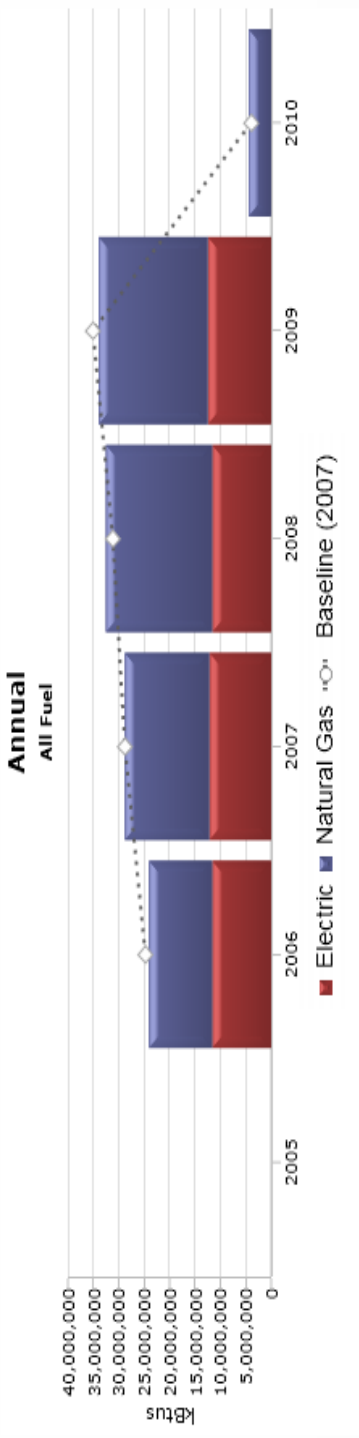
Organization Summary Reporting

Report: Annual Fuel Consumption (kBtus)

Baseline Year: 2007 Edit...

Showing 1 of 1 Sites

Data is complete to December, 2009.



Year	Days	Average SF	Total kBtu	Normalized Baseline kBtu	Change from Baseline kBtu	% Change	Total Energy Cost \$	Average Cost Rate \$ /kBtu
2005	0	390,404	Missing	Missing	-	-	-	-
2006	365	390,404	24,039,011	24,754,694	-715,682	-3%	\$314,966.10	\$0.01
2007	365	390,404	28,784,431	28,784,431	0	0%	\$375,154.58	\$0.01
2008	366	390,404	32,503,287	31,157,723	1,345,564	4%	\$431,024.87	\$0.01
2009	365	449,668	33,930,936	35,082,663	-1,151,727	-3%	\$432,780.55	\$0.01
2010	31	449,668	4,419,086	3,896,706	522,380	13%	\$37,505.20	\$0.01

v2.0.0.51 | Copyright © 2010

Done

Start

Novell GroupWise - Mailbox

Official GSF may 5.xls [...]

B3 Benchmarking - Mi...

1Current Summaries

State of Minnesota B3 B...

Internet

Desktop

11:14 AM Wednesday

Logged in as Kenneth Oas

B3 BENCHMARKING

Organization - State, MnSCU - Alexandria Technical College

Report: Annual Fuel Consumption (CO2) Baseline Year: 2007 Edit...

Showing 1 of 1 Sites

Year	Days	Average SF	Total CO2 metric tons	Normalized Baseline CO2 metric tons	Change from Baseline CO2 metric tons	% Change	Total Energy Cost \$
2005	0	390,404	Missing	Missing	-	-	-
2006	365	390,404	3,466	3,617	-150	-4%	\$314,966.10
2007	365	390,404	3,821	3,821	0	0%	\$375,154.58
2008	366	390,404	3,910	3,950	-40	-1%	\$431,024.87
2009	365	449,668	4,152	4,513	-361	-8%	\$432,780.55
2010	31	449,668	235	207	28	13%	\$37,505.20

My Organizations and Sites:

- State, MnSCU - Alexandria Technical College
- State, MnSCU - Anoka
- State, MnSCU - Anoka
- State, MnSCU - Anoka
- State, MnSCU - Anoka
- State, MnSCU - Bemidji
- State, MnSCU - Central
- State, MnSCU - Central
- State, MnSCU - Central
- State, MnSCU - Centun
- State, MnSCU - Dakota
- State, MnSCU - Fond du Lac
- State, MnSCU - Hennepin
- State, MnSCU - Hennepin
- State, MnSCU - Hibbing
- State, MnSCU - Inver Hills
- State, MnSCU - Itasca
- State, MnSCU - Lake Superior
- State, MnSCU - Mesabi
- State, MnSCU - Mesabi
- State, MnSCU - Metropolitan
- State, MnSCU - Minnesota
- State, MnSCU - Minnesota

Export To Excel...

v2.0.0.51 | Copyright © 2010

Done

Start

Novell GroupWise - Mailbox

B3 Benchmarking - Mi...

Official GSF may 5.xls [...]

2009 Alex example May ...

1 Current Summaries

State of Minnesota B3 B...

Internet

100%

11:15 AM

Wednesday

Desktop

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** June 16, 2010

Agenda Item: Information Technology Services Division Annual Performance Report

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: The evaluation report of the MnSCU System Office was released by the Office of the Legislative Auditor in February 2010 and included several recommendations.

Scheduled Presenter(s): Darrel Huish, Vice Chancellor – Chief Information Officer
Carolyn Parnell Chief Operations Officer

Outline of Key Points/Policy Issues: This report responds to the Office of the Legislative Auditor’s recommendation that the Board of Trustees should exercise stronger ongoing oversight of the system office.

Office of the Chancellor Performance Report
Information Technology Services Division

I. Multi-year Financial and Personnel Data

Cost Category / Financing	2008-09 Biennium		2010-11 Biennium	
	2008 Actual	2009 Actual	2010 Estimate	2011 Projected
Salaries & Benefits	\$12,522,746	\$15,658,656	\$17,203,451	\$19,599,917
Consulting Contracts	11,830,984	8,676,645	4,297,451	3,028,951
Other Administrative Costs	16,252,335	16,749,270	18,667,621	17,823,219
Total Administrative Costs	\$40,606,065	\$41,084,571	\$40,168,522	\$40,452,087
Less: External Funding (1)	0	0	4,800,000	4,800,000
General Fund Financed Costs	\$40,606,065	\$41,084,571	\$35,368,522	\$35,652,087
<u>Distribution of General Fund Activities</u>				
Direct Services to Colleges/Universities	\$38,524,068	\$40,224,562	\$34,307,466	\$34,582,524
Systemwide Services	2,081,997	860,009	1,061,056	1,069,563
Division Employee FTE	130.25	156.75	169.75	

(1) Learning Network of MN funds administered 100% to partner groups

II. Explain the structural distribution between the functional duties performed by this division and similar activities performed by the colleges and universities.

ITS is, in essence, a shared service for the colleges and universities. Collectively we share a single enterprise administration system, a single elearning system, a single hardware infrastructure on which the systems operate and a single Wide Area Network to access the systems and provide Internet to students and faculty. We also share a single security program and a single warehouse of information for their use. Colleges and universities do not perform these functions. Instead, the college and university role is to populate the systems with college specific data or instructional content.

ITS functions that are not shared services to campuses use a very small percent of IT resources. The Office of the Chancellor specific functions are desktop support, email, telephone support and webmaster services. Each campus also has IT staff and uses resources to provide desktop support, email, telephone and webmaster services and local infrastructure at the campus level. Since the campuses do not need to operate individual enterprise administration, eLearning, Wide Area Network, enterprise servers, information warehouse and security programs, their efforts are directed to these unique, campus specific needs. Some institutions also support small development staff groups to extend the shared enterprise administration system to meet campus needs for specific functionality.

Office of the Chancellor Performance Report Information Technology Services Division

III. Cite any recent or planned redistribution of costs or personnel between this division and colleges/universities for this functional area.

There are no plans to redistribute costs to the colleges/universities for IT support functions. Please note, there are several discussions that may lead to even more IT related shared services. The end result of the discussion may be redistribution of campus functions and costs. For example, campus IT staff would like to explore whether their own data backups could be more cost effectively handled as a shared service. Another example is an emerging discussion about providing email as a shared service.

IV. Cite performance metrics and major accomplishments from the past year (tie to prior year division/committee work plan, if possible).

Provided enterprise systems availability with an annual mean service uptime of 99.96% (to date this FY.) Desire to Learn (D2L) system availability has been 99.99% for the last two years. Peak usage was 285,600 daily logins.

Launched Students First, an initiative designed to make it possible for a student to access system curriculum and resources more easily. Students First is composed of six individual but often interdependent projects: single search, single application, graduation planner, single registration, single bill/single payment, and shared services. These projects are scheduled for completion in FY11 and will achieve more consistent processes along with a focus on efficiency and effectiveness.

Improved the speed of service to students by implementing eTranscript. Available in all Minnesota State Colleges and Universities, eTranscript allows for the electronic exchange of transcripts between campuses. Which results in faster service for students and transfer-cost savings for institutions.

Replaced obsolete ISRS application servers in favor of a more economical hardware platform. Increased the capacity for performance and load testing systems and made extensive architecture changes in the registration process to improve performance for students.

Completed an Activity Based Costing Study which identified the ITS portfolio of system applications and services and their costs. It is a tool to help ITS measure the impact of its investments and determine how and where future investments are best made.

Security-improvement efforts continue to be a major area of focus for ITS. Created and deployed the ability to establish strong passwords and an automated security module that strengthen and improves access controls, to high-risk ISRS modules. Developed and deployed the connection between ISRS and Identity and Access Management systems.

Office of the Chancellor Performance Report Information Technology Services Division

Strengthened the system Security Program by facilitating policy and practices around Payment Card Industry requirements, developing online classes for campus IT staff and vulnerability scanning.

Reduced the costs of employee-equivalent contractors by 50% from \$8.6M to \$4.2M.

Launched GPS LifePlan — a Web-based interface that helps service members chart a course to academic, personal and professional success. With GPS LifePlan, veterans may align their military experience with applicable coursework at schools within the system.

Re-engineered the ITS Project Management Office, enhancing project methodology by providing common templates for contractor evaluations and performance measurements, streamlining the reporting process and redesigning documentation.

The ISRS, IAM, and Security teams developed a high-level road-map for ISRS integration with the new Identity and Access Management (IAM) infrastructure. The IAM team has reached a major milestone in assigning StarIDs to all system employees. Authentication for all ISRS Web Applications will be migrated over time from eSession to the new IAM system with completion expected in July of 2011.

An Action Analytics Web Portal is in its final stages of development. This portal will provide a one-stop shop for accessing the wealth of existing standard and ad hoc reports for all institutional users.

V. Identify major division/committee work plan activities planned for upcoming year.

Students First will continue to take priority over all other development projects aside from those needed for compliance or maintenance.

The Data Center Upgrade will be completed in FY11, including rewiring to bring the wiring infrastructure into compliance and the installation and configuration of separate development and testing environments at Centennial Office Building (COB). This will pave the way for ISRS failover testing and implementation and continue the evolution of the system's enterprise data centers to meet college performance and availability requirements for hosted applications.

The Information Security Risk Management Program has a structured, proactive plan. ITS designed to address information security risks and to mitigate those risks to an acceptable level through four new projects: Intrusion Detection and Prevention System, Secure File Transfer, Risk Management and Assessment, and Independent Security Testing of Enterprise Data Centers.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** June 16, 2010

Agenda Item: Finance and Facilities Division Annual Performance Report

- Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda: The evaluation report of the MnSCU System Office was released by the Office of the Legislative Auditor in February 2010 and included several recommendations.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer

Outline of Key Points/Policy Issues: This report responds to the Office of the Legislative Auditor’s recommendation that the Board of Trustees should exercise stronger ongoing oversight of the system office.

Office of the Chancellor Performance Report
Finance and Facilities Division

I. Multi-year Financial and Personnel Data

Cost Category / Financing	2008-09 Biennium		2010-11 Biennium	
	2008 Actual	2009 Actual	2010 Estimate	2011 Projected
Salaries & Benefits	\$5,362,804	\$5,535,561	\$5,308,579	\$4,981,812
Consulting Contracts	1,647,563	383,368	2,463,552	1,180,438
Other Administrative Costs	5,126,485	5,825,655	5,312,742	4,285,684
Total Administrative Costs	\$12,136,852	\$11,744,584	\$13,084,873	\$10,447,934
Less: External Funding (1)	1,574,483	660,156	1,601,763	1,745,071
General Fund Financed Costs	\$10,562,369	\$11,084,428	\$11,483,110	\$8,702,863
<u>Distribution of General Fund Activities</u>				
Direct Services to Colleges/Universities	\$4,185,753	\$3,412,349	\$4,133,920	\$3,133,031
Systemwide Services	6,376,616	7,672,079	7,349,190	5,569,832
Division Employee FTE	62.38	62.25	59.75	

(1) Includes construction management fees, risk management, workers comp and Revenue Fund

II. Explain the structural distribution between the functional duties performed by this division and similar activities performed by the colleges and universities.

Policy Leadership

Board policies and procedures are prepared for adoption by the board. Implementation occurs at either/both the system level and the college and university level. Colleges and universities as well as the Office of the Chancellor develop local policies within the authority granted by the board to affect activity on their local campus

Budget

Operating budget functions occurs at the system level – request for state appropriation made on behalf of the system and once received are allocated to each college and university. Colleges and universities prepare budgets at the local level adding tuition and other revenue to available resources and then allocating to the departments and functions with the college or university.

Budget unit provides financial planning parameters and tuition guidance for budget development. Colleges and universities develop finance plans and recommend tuition rates.

Budget unit requests state appropriation for the system, allocates available appropriation to the colleges and universities, and monitors various aspects of college and university budgets throughout the year. Colleges and universities develop budgets at the local level (which

Office of the Chancellor Performance Report Finance and Facilities Division

includes appropriation, tuition and other revenue), allocate resources to departments and functions with their individual institution, and monitor/adjust budgets throughout the year.

Board policies and procedures are prepared for adoption by the board. Colleges and universities develop local policies within the authority granted by the board to affect activity on their local campus

Budget unit distributes state appropriation to colleges and universities for base support via an allocation framework. Data is obtained, numerous formulas are run, and a state appropriation allocation is calculated for each college and university. Colleges and universities determine how to spend the appropriation received through the allocation framework.

Budget unit extracts the student enrollment and finance data and distributes to each college and university for their review and completion of cost study. The unit compiles the individual college and university instructional cost studies into a systemwide report. The system cost study as well as individual cost studies are made available to each college and university for use in academic program management.

Each college and university completes an annual instructional cost study using the data generated from the Budget unit. The instructional cost study displays a cost per student for each academic program by level of instruction. Many colleges and universities use the instructional cost data in their program review processes and for academic program management.

Budget unit has overall responsibility for overseeing improvements made to the allocation framework. It staffs a Technical Advisory Committee (composed of academic, student and finance officers) which is charged with on-going analysis and review of the operation and design of the allocation framework and its components.

Issues needing to be analyzed or pursued within the allocation framework may be identified by colleges and universities. Colleges and universities provide feedback on any proposed changes to the allocation framework.

The budget unit has responsibility for conducting research and preparing systemwide studies and reports such as tuition and fees, cost of attendance, and various legislative reports. The tuition and fee study addressed current tuition and fees policy, tuition comparison at national level, tuition revenue dependency, the role of financial aid in the cost of attendance, and total spending per student comparison at national level. System studies are designed to assist the Board of Trustees in the areas of program design and policy setting.

Office of the Chancellor Performance Report Finance and Facilities Division

Colleges and universities may as part of their tuition setting process compare their individual tuition rates to peer institutions. Colleges and universities conduct research and prepare institution-level reports on a variety of topics important to their local environment.

Facilities

Facilities planning: Staff provides policy guidance and technical oversight for the preparation of campus master facilities plans. Per board policy, staff tracks five-year update milestones and works with campuses and their architectural consultant in developing the master plan update. Staff makes recommendations for plan development, critiques technical substance and progress, and recommends approval action to the Vice Chancellor - CFO. Colleges and universities engage the consultant and manage the master plan update with campus constituencies based on the OOC guidelines and timetable for review and approval.

Staff provides technical oversight for the preparation of capital project predesigns, a necessary and required component of planning prior to capital project funding. Colleges and universities engage the architectural consultant and develop the predesign document based on board and OOC guidelines. Staff review the document at various stages of development, make recommendations to the campuses, and make final recommendation for approval to the Vice Chancellor - CFO.

Capital budget preparation: Staff develops biennial capital budget guidelines to frame the development of capital projects for state funding. After board approval of the budget guidelines, staff manages development of the capital budget with input from each college and university. After approval of the capital budget by the board, staff manages the submission of the capital budget to the governor and Legislature, and advocates for legislative approval of the board-approved project list. Staff assists campuses with legislative visits during which legislators learn more details about capital project needs. Staff acts as primary source of project information for MMB, governor's office and the Legislature.

Sustainability: Staff develops policies, procedures and guidelines to assist campuses with their efforts towards building and maintaining a sustainable campus. Included are guidelines and standards for facilities planning, design and construction; reporting accomplishments to the board; and researching various methods of contracting with consultants to achieve positive results on campus. Staff develops a systemwide method to measure, compare and report on energy consumption and conservation. Campuses are responsible for taking the necessary actions to conserve energy, engage faculty and students, and generally promote on-site sustainable actions and initiatives.

Facilities design and construction: Staff develops policy and procedures for all contract actions for capital and other projects' design and construction. Staff oversees contracting at colleges and universities and provides assistance, training, monitoring, reporting of progress,

Office of the Chancellor Performance Report Finance and Facilities Division

and resolving problems with project delivery. Staff ensures compliance with state procurement requirements for design and construction, including design and construction standards, prevailing wage requirements, a number and variety of statutory requirements, quality assurance, and fiscal integrity. Colleges and universities manage the day-to-day design and construction work activity with oversight and assistance provided by Office of the Chancellor staff.

Real estate management: staff manages and oversees the entire portfolio of over 26 million square feet of space located on over 6,000 acres; provide assistance to campuses for real estate transactions, including easements, licenses, property sales and dispositions; reviews documents for conformance to state and system requirements. Staff creates and maintains systemwide data bases of real estate holdings, leases, campus boundaries and related information.

Revenue Fund: Staff manages the Revenue Fund from a central perspective, as the fund is legally and financially a single financial enterprise. Based on campus input, staff develops long and short ranges capital requirements and plans, and executes revenue bond sales in support of campus capital requirements. Staff provides oversight to annual Revenue Fund operating budgets and reporting to the board. Operation of site-specific Revenue Fund activities, including residence halls, student unions, wellness centers, some parking and dining services is accomplished on campus.

Risk management: Staff provides systemwide perspective and oversight of many risk management activities principally centered on casualty, property and liability insurance; coordinates with the state Admin in the management of a property and casualty program, and other insurance products as needed by campuses.

Emergency planning: Colleges and universities prepare local emergency plans, and coordinate their development with the Fire Center which provides oversight, guidance and assistance as needed.

Safety and environmental health: Staff assists campuses with local compliance activities in the area of employee and student safety, hazardous waste disposal, and a variety of environmental compliance activities. Campuses are responsible for effective day-to-day management of safety and environmental compliance.

Financial Reporting (includes Campus Assistance)

Financial reporting group: Staff provides leadership, guidance, training and tools aimed at college and university management and improvement of campus financial health and financial operations. Financial health is measured on an accrual basis with a focus on a composite financial index measurement basis, which is also used by the Higher Learning

Office of the Chancellor Performance Report Finance and Facilities Division

Commission of the North Central Association to assess members' financial health in relation to accreditation.

The group provides professional accounting and audit pronouncement interpretation and implementation guidance. The group is responsible for Fundware, the supplemental accrual accounting and reporting package used to produce GAAP financial statements, systemwide financial reports and related audits including the systemwide consolidated annual report and the Revenue Fund annual report, and directly supports the external GAAP audits of thirteen universities and colleges and unaudited financial statements and related annual internal of twenty-three unaudited colleges.

The group establishes and maintains appropriate accounting policies and procedures ranging from those with a day-to-day focus to those required for year-end financial statements. The Campus Assistance group is responsible for resolving accounting and procedure issues, monitoring systemwide financial data to ensure data integrity, training of college staff in areas such as local and state treasury bank reconciliations, and providing a wide range of additional accounting, business process, payroll, ISRS finance modules' support and other support to campuses as requested.

Other college/university and systemwide reporting is also supported to varying degrees and includes items such as quarterly Interim Financial reporting, IPEDS reporting, Higher Learning Commission CFI reporting, meeting state and federal government requirements, and ad hoc reporting as needed to support campus management needs.

The colleges and universities are responsible for campus use of ISRS finance modules including the accounting module and all student services uses, preparation and analysis of campus financial statements and supporting footnotes, calculation of required financial performance measures, preparation of other financial reports, responding to auditors' questions and documentation requirements, compliance with board accounting and reporting policies and procedures, and internal controls documentation and maintenance.

Tax and Financial Services

Staff ensures accurate and timely payment of Minnesota State Colleges and Universities federal and state tax obligations as well as compliance with federal and state reporting requirements. As a single legal entity, the system has a single federal taxpayer ID that in turn drives federal consolidated compliance and reporting combining all System colleges and universities. Primary tax compliance and reporting areas include:

1. Unrelated Business Income Tax (UBIT)—The *Tax and Financial Services group* files a federal combined system unrelated business income tax return for all colleges and universities and works closely with each campus to determine their individual taxable

Office of the Chancellor Performance Report Finance and Facilities Division

income. The group also provides tax planning and advice for campuses' revenue contracts and other potential UBIT transactions.

- Campuses provide local management, data and analysis, and implement tax planning if applicable.
2. Year End Tax Forms and Reporting—the *Tax and Financial Services group* prepares, prints, distributes and files (with the IRS, Social Security Administration, state Department of Revenue, etc.) approximately 300,000 student tax forms each year.
 - Campuses provide primary support for student questions.
 3. Student Payroll Tax (consolidated withholding payments & reporting)—The *Tax and Financial Services group* reports wages to the IRS/Social Security Administration and state authorities for approximately \$35,000,000 of payroll for 21,000 student employees; this includes remitting withholding tax and all federal and state tax filings. Tax Services answers campus student payroll questions.
 - Campuses hire the students, verify hours, pay the students and enter pay data in the system.
 4. Minnesota Nonresident Entertainer Taxes—The *Tax and Financial Services group* files the summary report each month with the Minnesota Department of Revenue regarding the required 2% tax withholding on campus payments to out of state entertainers; each year 15 – 20 colleges and universities have approximately 100 such transactions for several hundred thousand dollars.
 - Campuses must identify the transactions and code them properly allowing proper capture, reporting and withholding remittance.
 5. Nonresident Alien Taxation (NRA)—Foreign students, vendors, and faculty and the colleges & universities face a completely different and complicated set of tax rules than U.S. citizens. The *Tax and Financial Services group* devises forms and procedures for NRA compliance and works with campuses to ensure proper paperwork, tax filings and payments are completed.
 - Campuses must maintain all required documentation including requirements from Customs and Immigration, IRS, and Homeland Security and advise students, vendors and faculty.
 6. Sales Tax—*Campuses* file their own sales tax returns; the *Tax and Financial Services group* assists with the many questions that arise including dealing with vendors to ensure campuses are exempted from sales tax where applicable and Tax Services issues guidance such as a three page sales tax guide for campuses.

Office of the Chancellor Performance Report Finance and Facilities Division

7. Tax Compliance—the *Tax and Financial Services* group reviews tax law changes, researches tax questions and provides appropriate assistance to campuses and system office departments, and prepares campuses for and coordinates tax audits and responses to notices from tax authorities. This involves regular updates and periodic training.

Business Office/Financial Operations

The unit includes three groups, the Business Office group, Student Loans group and Office Services group.

The Business Office group ensures the accurate and timely handling of System Office transactions through appropriate application of board policy and state laws. The Business Office group provides a range of accounting and payroll services for operations of the Office of the Chancellor and related staff. All college and university presidents are deemed employees of the OOC such that payroll and expense reporting and processing is conducted at the OOC. Further, the Grants Accounting role of the Business Office Group provides grant accounting services in direct support of campuses. Business Office group responsibilities include: accounts receivable, business expenses, disbursements, employee forms repository, OOC financial management and accounting, fixed asset inventory, grants accounting, auxiliary operations controllership services, and OOC procedures required for these areas.

Campuses interface with presidential payroll and business expenses when such expenses are transferred to campuses for appropriate accounting and reporting. Similarly, campuses are responsible for local grant accounting.

The Office Services group provides support for the operations of the Office of the Chancellor, including staffing the main reception desks, mailroom, meeting room set-up and tear-down, office supplies inventory, vehicle scheduling and maintenance, furniture procurement, internal office and cubicle moves, copier and fax machines' maintenance, records storage, and other related tasks. *There are no campus-related activities.*

The Student Loan group manages collection and repayment of \$34.1 million in Federal Perkins' loans for over 13,000 of the Systems' highest need students at 20 colleges and universities. The unit also plays a lead compliance and reporting role assuring compliance with complex federal student loan regulations. Laxity in loan collection efforts can result in higher loan default rates, which in turn can result in overall Perkins Loan program ineligibility.

The Student Loan group provides a centralized student loan collection unit for all Minnesota State Colleges and Universities that participate in the Federal Perkins Loan program. (20 colleges and universities) currently 34.1 m; 13,560 loans. *Colleges and universities* award

Office of the Chancellor Performance Report Finance and Facilities Division

and disburse the funds and completes the annual Fiscal Operation Report filed with the federal government

The Student Loan group manages the loan from the time the student leaves school until the loan is paid in full, provides the schools' data on a monthly basis for input into ISRS and, provides loan data to Financial Reporting group for financial statement support purposes.

The Student Loan group also administers the online e-payment process (web payments) where student tuition and fee payments can be made via the web using a credit card or e-check. Processing is through a single vendor processing contract. FY2009 volume was \$100 million representing 175,658 individual payment transactions. Centralization of this e-payment process has resulted in significant cost savings through elimination of multiple set-up and maintenance costs and volume-based fee reductions. Centralization has also greatly reduced the System's risk of noncompliance with Payment Card Industry Data Security Standards for transactions processed through this single contract. Sensitive payment data is collected and maintained by the vendor, not by the system.

e-Payments (on-line student payments)

1. Money is received daily by the group and paid out the next day to colleges and universities; payment card fees are charged monthly and the group collects from each campus.
2. Campuses provide information to the *Student Loan group* in order to respond to merchant disputes in a timely manner and the group provides assistance to campuses and customers as needed.

III. Cite any recent or planned redistribution of costs or personnel between this division and colleges/universities for this functional area.

The **Budget** unit has not made any nor has plans to redistribute costs or personnel between the unit and the colleges and universities.

Facilities Design and Construction: For 2010, OOC/Facilities Unit personnel will track their personal time applied towards the oversight of specific capital projects financed by state GO bonds. Personnel who are performing work in support of this activity but who cannot reasonably apply their work hours to a specific GO financed project, will revert to tracking their financial support from the GEN fund. Overall, charges against bond-funded projects should decrease, while an increasing requirement for GEN funding will be seen. This change is undertaken at the direction of MMB.

Office of the Chancellor Performance Report Finance and Facilities Division

IV. Cite performance metrics and major accomplishments from the past year (tie to prior year division/committee work plan, if possible).

2010 Work Plan Accomplishments

Developed a framework which provides assumptions for FY2011-2013 budget planning for colleges and universities and the Office of the Chancellor.

Identified key indicators to measure college and university financial health.

Assisted with reduction planning for the Office of the Chancellor including staffing the Structural Review Committee, preparing survey instrument for office employees and compiling a report of results. First set of reductions complete for the Office of the Chancellor. Second round of budget planning underway and will be reported to the board in December.

Provided the board committee with a comprehensive look at the role of financial aid in the cost of attendance – how financial aid interacts with tuition and fees rates to assist with tuition planning discussions.

Provided the board committee with detailed system data and information to which a budget planning framework was developed. Having a framework resulted in operating budgets and tuition recommendations that were approved by the board.

Once again accomplished clean audit opinions on system wide and 12 college and university audits.

Completed 2008-2013 and 2010-2017 Capital Budgets; gained board approval, and submitted to the governor and legislature. Successfully advocated for the capital improvement program at the Legislature and governor's office, achieving appropriations of \$241 million in 2008, \$40 million in 2009 and \$106 million in 2009.

Managed over \$500 million in design and construction capital projects funded by state general obligation bonds and Minnesota State Colleges and Universities revenue bonds. As of June 2010, 70% of the funds have been obligated or spent, reflecting successful management oversight throughout the system. The Legislature has consistently recognized the system for exceptional management of project execution.

Developed strategy to promote sustainability and energy conservation on campuses, in particular an energy benchmarking system using campus energy data on a web-based software platform. This will enable monitoring of energy consumption around the system, set goals, measure performance, and work towards greater energy efficiencies.

Office of the Chancellor Performance Report Finance and Facilities Division

Developed an “All Hazards” planning program to encompass Emergency Preparedness, Continuity of Operations and Crisis Intervention for all campuses. Most notable were the efforts of individual colleges and universities, with leadership by the Office of the Chancellor, in preparing for the potential pandemic flu outbreak of 2008/2009.

Architectural security guidelines were completed and posted for campus use.

A program called “Students First” was approved by the EIC at its September 2009 meeting. Finance combined planning efforts with the Integrated Student Services Advisory Group, a cross-functional group including representatives from the student associations, leading to development of a mid to long-range enterprise IT investment strategy focused on student service needs.

Finance collaborated with ITS to complete a systemwide Payment Card Industry Data Security Standards (PCI DSS) compliance project through use of an outside contractor (NetSPI). This project included mandatory self-assessment questionnaires, four mandatory quarterly vulnerability scans against college and university systems and identification of weaknesses and possible remediation steps. The effort is transitioning to an ongoing campus-focused compliance effort supported by a collaborative OOC- and campus-staffed PCI DSS Advisory Council.

Finance implemented a financial trends and highlights review process with all 24 accredited, non-audited colleges participated in one of several regional financial trends and highlights meetings. These meetings involve from one to five colleges and included presidents, CFOs and many academic leadership personnel. Working from a base package of performance measures centered on the Composite Financial Index, a round-table discussion highlights positive and negative developments and encourages a free exchange of financial performance information across campuses.

Tax authorities have not assessed colleges and universities with any tax penalties relating to payments, reporting, or audit/notice.

Positive OLA Audit Findings Relating to Tax Services. More than 90 percent of presidents gave the division high marks for each of the following functions “...helping campuses comply with tax laws and regulations”.

Under Students First Single Bill/Payment, a Tax Services proposed project is underway to provide students with electronic tuition tax statements and W-2's with the potential to save colleges and universities in excess of \$100,000 annually upon full implementation.

Office of the Chancellor Performance Report
Finance and Facilities Division

V. Identify major division/committee work plan activities planned for upcoming year.

- FY2012-2013 Biennial Operating Budget Request
- FY2011 Office of the Chancellor Budget Update
- FY2012 Operating Budget
- Continuous Improvement of the Allocation Framework
- FY2010 Financial Statements
- College and University Financial Health Indicator/Measurement Project
- Revenue Fund Bond Sale
- FY2012-2017 Capital Budget Request