



## FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE

MARCH 16, 2010

2:00 p.m.

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

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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 January 19, 2010** (pp 1-7)
- (2) Finance, Facilities and Technology Update
- (3) **St. Cloud State University National Hockey Center Development Plan** (pp 8-20)
- (4) FY 2010 Capital Project Update (pp 21-24)
- (5) Proposed Amendments to Board Policies: (pp 25-29)  
Policy 5.13 Information Technology Administration;  
Policy 6.4 Facilities Planning (First Reading)
- (6) **Proposed Amendments to Board Policies:** (pp 30-39)  
**Policy 5.14 Procurement and Contracts;**  
**Policy 5.22 Acceptable Use of Computers and Information Technology Resources;**  
**Policy 7.4 Financial Reporting;**  
**Policy 7.7 Gifts and Grants Acceptance**  
**(Second Reading)**
- (7) Minnesota State Colleges and Universities System and State Economic Outlook for FY 2011-2013 (pp 40-48)
- (8) College and University Financial Health Indicator/Measurement Project (pp 49-52)
- (9) Follow-up to OLA Evaluation of the System Office (pp 53-56)

### 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  
January 19, 2010**

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

*Finance, Facilities and Technology Committee Members Absent:* Tom Renier, Chair

*Other Board Members Present:* Cheryl Dickson, David Paskach and Terri Thomas

*Leadership Council Representatives Present:* Vice Chancellor Laura King, President Richard Davenport

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on January 19, 2010, 4<sup>th</sup> Floor, Board Room, 30 East 7<sup>th</sup> Street in St. Paul. Vice Chair Hightower called the meeting to order at 9:05 am. Trustee Hightower reported that Chair Renier was doing well and in the thoughts of the committee.

**1. MINUTES OF NOVEMBER 17, 2009**

The minutes were approved as submitted.

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

Vice Chancellor King responded to a November meeting inquiry from Trustee Frederick about how much space the system had built and renovated in the past. She noted that from the 2000 to 2008 capital budget cycles, the system renovated 2.9 million square feet; and built or acquired 1.8 million square feet. The system has approximately 21 million square feet of academic space.

Activities regarding the 2010 legislative session have picked up speed. In the case of the system's bonding request, staff presented the capital budget to the Senate Higher Education Committee on January 12<sup>th</sup>. Associate Vice Chancellor Allan Johnson will update the committee on the latest developments.

State law requires the system to submit a report prior to Feb 1<sup>st</sup> of each even-numbered year to the legislature addressing six areas of activity. The report has been required since 2002. The Finance Division provided several documents including the MnSCU Master Green Sheet which shows how appropriation is allocated between institutional basic allocations, priority allocations, systemwide set asides and specific legislatively mandated priorities; the allocation framework components; the summary of college/university allocations; information on reallocations of resources for FY09 and FY10. System colleges and universities report \$24.8 million in reallocations for fiscal year 2009 and an additional \$40.6 million for fiscal year 2010.

**3. REVENUE FUND UPDATE** *(Information)*

Before updating the Committee on the Revenue Fund, Associate Vice Chancellor Allan Johnson updated the committee on the Governor's capital bonding recommendation which was released this week. The Governor's recommendation included \$50M for HEAPR projects and funding for the projects at North Hennepin Community College, Lake Superior College and Mesabi Range Community and Technical College and classroom renovation and demolition at seven campuses. Mr. Johnson noted that earlier passage of a bonding bill is good for Minnesota State Colleges and Universities as there are projects that can get started in spring and summer.

Mr. Johnson began his presentation on the Revenue Fund by reviewing that the legislature gave the Fund authority in 1955 to issue revenue bonds to finance construction and renewal of revenue-generating facilities, primarily student residence halls and student unions at the state universities. Colleges were included in the Fund in 2008. The statutory debt ceiling for the Revenue Fund is \$200 million pursuant to Minnesota Statutes §136F.98. The Revenue Fund currently carries outstanding debt of approximately \$185 million.

The overall debt capacity of the Revenue Fund is different than the statutory debt ceiling. The debt capacity reflects the amount the Fund in the aggregate can afford, taking into account revenues, expenses and debt service. Recently, Springsted, Inc., the financial advisor to the Revenue Fund, evaluated the Fund's overall debt capacity and determined that at current bond rates of 4.5%, the Revenue Fund had the capacity to carry \$346 million in total debt.

A revenue bond sale is tentatively scheduled to take place in January 2011. Early indications are that a sale of approximately \$125 million would be required to accommodate the new projects. With only \$15 million available under the current debt ceiling, a new bond sale of \$125 million will require legislative action during the 2010 session to increase the debt ceiling.

Vice Chancellor King responded to Trustee McElroy's inquiry by noting that each institution is responsible for their institution's projects. The revenue fund projects are backed solely by the revenue generated from them. The reserves are kept at the institutional level and can be used for improvements and additional projects.

Trustee Van Houten expressed concern over increased student fees. Mr. Johnson noted that students are involved in project planning and the institution's student senate must confirm that they have been consulted on the project and its financial impact. President Davenport, representing the Finance and Administration Committee of the Leadership Council, commented that students support the projects on his campus. The revenue fund fees are approved in conjunction with the operating budget and tuition. Mr. Johnson noted that some two year colleges will see fees for the first time for student unions. Trustee Hightower inquired if use of the revenue fund was a change in philosophy. Mr. Johnson noted that since colleges were added to the fund in 2008 it may give them the opportunity to update revenue producing facilities to aid in student recruitment, retention and satisfaction.

**4. FY 2011 BUDGET OUTLOOK** (*Information*)

Vice Chancellor began the discussion about the FY2011 budget outlook by asking the Committee to have a conversation about planning for 2011 through 2013.

Karen Kedrowski began by reviewing the state's economic situation. On December 2, the state economic forecast projected an additional \$1.203 billion general operating fund deficit for the current 2010-2011 biennium after the Governor's unallotment and executive actions.

The state is faced with a structural issue. Revenues are projected to grow slowly and spending pressures will be driven by issues of an aging population and health care services. As a result, state spending will likely shift from education, infrastructure and higher education to the care and support of the aging. With this shift, it is more than likely that the share of the system's budget from state resources will continue to decline.

At the close of the 2009 legislative session, the higher education bill provided the Minnesota State Colleges and Universities with \$1.28 billion of state resources during the 2010-2011 biennium. The funds were to be distributed as \$614 million in fiscal year 2010 and \$666 million in fiscal year 2011. The system's fiscal year 2011 overall budget outlook had a positive gap of \$9.7 million before any programmed use of fund balance. Since that time, the Governor has exercised his unallotment authority with a \$50 million unallotment for fiscal year 2011. This reduces the fiscal year 2011 funding level from \$666 million to \$616 million, virtually the same level as fiscal year 2006. After applying the \$50 million reduction, the fiscal year 2011 budget outlook shifts from a positive budget gap of \$9.7 million to a negative gap \$40.3 million (2.6 percent of expenses) before the programmed use of fund balance or other budget reduction actions.

Vice Chancellor King has recommended that the colleges and universities take a multi-year approach to budget planning. Fiscal year 2011 budget planning began over a year ago within campus communities, in the Leadership Council and in the Office of the Chancellor. Budget planning and consultation will continue over the next several months with a focus on setting priorities and identifying budget balancing solutions. The preliminary planning framework suggests the following assumptions:

- Include a state support reduction of at least \$50 million as announced by the Governor last spring;
- Assume tuition rate increases not to exceed 5 percent;
- Recognize modest compensation inflationary cost increases (insurance increase and steps for classified employees); and
- Expect the continuation of the already approved federal stimulus funds for one-time expenses.

With the state projecting an additional \$1.203 billion general operating fund deficit for the current 2010-2011 biennium, it would be prudent for the system to plan for an

additional reduction in appropriation above the \$50 million unallotment. Because the state is receiving stabilization funds through the ARRA, the state must maintain the fiscal year 2006 level of funding to higher education which includes the Minnesota State Colleges and Universities and the University of Minnesota. Therefore, an additional reduction of \$46.6 million could occur to higher education. If the maintenance of effort formula was carried through, the Minnesota State Colleges and Universities system could be reduced an additional \$10.5 million above the \$50 million unallotment. For the system, the fiscal year 2006 funding level was \$605.5 million.

It would be the Chancellor's intent to distribute any reduction in state resources using the framework that was approved by the Finance and Administration Committee of the Leadership Council and the Finance, Facilities and Technology Committee of the Board of Trustees several years ago. The framework takes into account appropriation, tuition and the ARRA funds and distributes the impact of an appropriation reduction to the colleges and universities and the Office of the Chancellor.

The colleges and universities are planning for tuition increases within the language of the Omnibus Higher Education bill that limits tuition increases for Minnesota resident undergraduate students to five percent each year of this biennium. In keeping within the legislative language, tuition planning parameters at the colleges and universities will include a maximum fiscal year 2011 tuition increase for the colleges of \$7.15 per credit and for the universities of \$9.85 per credit. The total tuition increase for fiscal year 2011 will be borne by the students.

In fiscal year 2010 ARRA funds have been used to mitigate two percent of the tuition increase so that students are charged no more than a three percent increase over prior year. The ARRA funds will be used again in fiscal year 2011 to pay for the mitigated two percent tuition increase from fiscal year 2010. Over the biennium, students will have experienced a maximum net increase of eight percent. In fiscal year 2012, students will be responsible for the mitigated two percent tuition increase before any new tuition increases.

Vice Chancellor King invited the committee to communicate their views on seeking legislative approval to remove the tuition cap language which would provide some flexibility to colleges and universities at a time when state resources are being decreased by at least \$50 million in fiscal year 2011 and some additional amount in 2012-2013. Committee members had a thoughtful discussion about seeking removal of the tuition caps but generally the members remained committed to keeping tuition increases under control.

President Davenport reported that Minnesota State University, Mankato is working aggressively on reducing expenses by looking at every single program in terms of cost of instruction and student demand. The University is aware that some of the best, highest quality programs may need to be eliminated if the financial picture does not improve.

Over the next several months, the Chancellor will also look to the Leadership Council for direction in identifying resources that could be reprogrammed toward the fiscal year 2011 appropriation reductions. The Chancellor will continue consultation with system constituents and will provide updates on the budget planning process to the Finance, Facilities, and Technology Committee. Action on the fiscal year 2011 operating budget is scheduled for the April and May 2010 meetings of the Board of Trustees.

## **5. UPDATE ON ENTERPRISE TECHNOLOGY INVESTMENT PLAN**

*(Information)*

Interim Vice Chancellor Carolyn Parnell reviewed the long-term strategy for IT investments and reviewed the progress that has been made. Ms. Parnell offered her comments that the objective, third-party assessment by In-Sight Solutions and recommended investment plan was an excellent report. The report was the basis for the successful FY08-09 legislative funding request.

Ms. Parnell noted that in FY2006 MnSCU enterprise level IT spending lagged behind comparable institutions. The funding per student has risen from \$47 in FY2006 to \$96 per student in FY2010. This amount does not include what each college or university contributes at their campus.

The legislative funds have enabled the system to strengthen the aging core infrastructure and provide support for new applications and services. This has resulted in a 233% increase in enterprise software applications, a 900% increase in servers with 24/7 operations and a 723% in critical function central services. The ITS staff positions have increased by 32%. Currently the EIC has approved a work plan for FY2010 which placed Students First as one of its top priorities with a funding allocation of \$1.5M.

Ms. Parnell commented that due diligence is needed to determine if ISRS will be able to address the system's needs in the future. When questioned by Trustee Paskach if ISRS would be useful in 10 years she replied that it is too early for her to make that assessment. Currently ISRS is one of the largest single higher education databases in the country and processes more than 100,000 transactions per hour. The ISRS system manages a database of information on more than 6 million unique persons and processes over 27 million financial transactions each year. Ms. Parnell characterized ISRS as a workhorse that is constantly being maintained and enhanced.

Ms. Parnell reported that staff are now working on a tactical plan and an activity based costing study which will show efficiencies and opportunities for improvement. The current ITS budget credits 25.21% of its expenses directly to students and another 59.45% of expenses directly to institutions. The system office's share of expenses is 8.21%.

The 2009 KDV Security Audit indicated significant deficiencies which are being addressed by rigorous monthly reviews with accountability for resolutions. A written progress report is sent to the Chancellor monthly.

In closing her report, Ms Parnell noted that the ITS Division is cognizant of the current economic environment and ongoing budget constraints. The costing analysis will allow the division to be more transparent about the efficiency and effectiveness of operations. The cost to “keep the lights on” will increase each year with new applications (currently \$31M). She noted that the division needs to do better, be more accountable and have a better communication plan with their constituents.

**6. FY2009 AND FY2008 AUDITED FINANCIAL STATEMENTS** (*Information*)

The results of the system wide audit, revenue fund audit and the twelve individual college and university audits were presented to the Audit Committee in November.

Vice Chancellor King noted this item provides the committee information about the financial health of the system. The system’s financial condition improved during FY2009 as measured by the increase in net assets; this reflects the strong financial management exercised by the system’s leadership team and continued strong investment in capital assets. The current recession raises significant concerns regarding the ability of state government to maintain future years’ funding in the form of appropriation and grant revenue.

The Composite Financial Index (CFI) may be of interest to committee members. The CFI is calculated using four financial ratios taken from the accrual financial statements. A specific weight is assigned to each factor. This CFI calculation methodology is also used by the Higher Learning Commission as a gauge of member institutions’ financial health.

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

Vice Chancellor King noted that Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure be reviewed at least once every five years.

**Policy 5.13 Information Technology Administration**

Due to an error in preparation of this proposed policy amendment the first reading will be continued until the March 2010 committee meeting;

**Policy 5.14 Procurement and Contracts**

The proposed amendment to Policy 5.14 will provide for annual reports on contracts with values greater than \$100,000. Trustee McElroy suggested that these reports remain available on the web site.

The proposal to increase board pre-approval from \$2,000,000 to \$5,000,000 on contracts and amendments was discussed. Most committee members felt that an increase to a \$3,000,000 limit was appropriate at this time.

The committee agreed with the proposed change to exempt 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 from pre-approval was acceptable. Trustee McElroy suggested that post facto reports on inter-agency and intra-agency agreements be presented to the board on those agreements.

**Policy 5.22 Acceptable Use of Computers and Information Technology Resources**

The proposed amendment to this policy adds “mobile computing devices and multimedia materials” to the list of technical information resources;

**Policy 7.4 Financial Reporting**

The proposed changes to this policy note the recent name change of the Department of Finance to Minnesota Management and Budget. The amendment also clarifies that financial statements for individual institutions are designated by Board action. Financial statement will be presented to the Board of Trustees for review and authorization to release;

**Policy 7.7 Gifts and Grants Acceptance**

The proposed amendment to Policy 7.7 provides that the Board of Trustees will be periodically updated on the nature and the amount of all gifts and grants with a value in excess of \$50,000 accepted by the colleges, the universities, and the systems. The chancellor may also report on other noteworthy gifts and grants. The proposed amendment raises the value of reportable gifts from \$5,000 to \$50,000. Colleges and universities are required to maintain a list of all gifts and grants for submission each fiscal year to the Office of the Chancellor to be incorporated into a comprehensive report to the Board of Trustees.

The proposed policy amendments will be presented for a second reading at the March meeting.

The meeting adjourned 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:** March 16, 2010

**Agenda Item:** St. Cloud State University National Hockey Center Development Plan

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

**Cite policy requirement, or explain why item is on the Board agenda:** St. Cloud State University is seeking approval to construct an addition to and renovation of the National Hockey and Events Center on the campus of St. Cloud State University (SCSU) in cooperation with the SCSU Foundation. Board approval is required because the project is a major capital project outside the Board’s capital project budget cycle with construction contracts and an agreement with the Foundation valued in excess of \$2 million.

**Scheduled Presenter(s):** Allan Johnson, Associate Vice Chancellor Facilities  
Earl Potter, President, St. Cloud State University  
Steven Ludwig, Vice President for Administrative Affairs

**Outline of Key Points/Policy Issues:** The project will provide an entrance lobby and ticketing area, which had been anticipated for a future addition when the building was originally designed. It will also add and improve locker facilities and improve the spectator experience and access by adding elevators, expanding concourses, improving concessions and expanding toilet facilities. Additional arena seating will be provided in the main rink as well as suite and club seating to enhance sponsorship and philanthropic opportunities. The University will continue to operate the expanded facility. No university funds will be used for the construction.

**Background Information:** The Hockey Center was originally funded with state general obligation (GO) bonds in 1987 as part of a comprehensive initiative by the Minnesota Amateur Sports Commission for developmental and competitive sports facilities in the state. In the 2008 bonding bill, \$6.5 million of GO bond funds were authorized by the legislature to improve the facility with the expectation that additional funds for the project would be sought through sponsorships, naming rights and donations through a capital campaign. Project authorization and funding appeared in the Employment and Economic Development section of the bonding bill, where typically regional public events centers are authorized and funded. The University’s capital campaign is to be publically launched this summer. These sources will provide the additional funds needed for a total project cost of approximately \$29.2 million.

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

<b>BOARD ACTION</b>
<b>St. Cloud State University National Hockey Center Development Plan</b>

**BACKGROUND**

The purpose of this report is to seek Board of Trustees approval to construct an addition to and renovation of the National Hockey and Events Center on the campus of St. Cloud State University (SCSU) in cooperation with the SCSU Foundation. Board approval is required because the project is a major capital project outside the Board's capital project budget cycle with construction contracts and an agreement with the Foundation valued in excess of \$2 million.

The Hockey Center was originally funded with state general obligation (GO) bonds in 1987 as part of a comprehensive initiative by the Minnesota Amateur Sports Commission for developmental and competitive sports facilities in the state. In the 2008 bonding bill, \$6.5 million of GO bond funds were authorized by the legislature to improve the facility with the expectation that additional funds for the project would be sought through sponsorships, naming rights and donations through a capital campaign. Project authorization and funding appeared in the Employment and Economic Development section of the bonding bill, where typically regional public events centers are authorized and funded. The University's capital campaign is to be publically launched this summer. These sources will provide the additional funds needed for a total project cost of approximately \$29.2 million.

The funds are expected to include sponsorships, cash donations and pledges to fund \$7 million prior to the start of phase 1 construction in addition to the current state funding of \$6.5 million. An additional amount from sponsorships and donations of \$15.7 million transferred to the University from the Foundation is anticipated prior to initiation of phase 2 construction. For portions of these contributions, the Foundation is planning to obtain a loan secured by philanthropic pledges, naming rights payments, and the rental/sale of suites and sponsorships.

An agreement between the Foundation and the University will be necessary to facilitate the naming and suite sales, and is being developed by the Attorney General's office following a preliminary assessment that this is an appropriate method to fund the project and market the sponsorships, suites and naming.

Design was initiated in 2009 with the selection of JLG Architects through the State Designer Selection Board. Design development is nearing completion at this time. This past January Donlar Construction was selected as the Construction Manager (CM at Risk) to oversee the construction of the project.

The contract for design with JLG Architects is for a total of \$1.8 million. They are currently authorized to proceed through construction documents. The contract with Donlar for construction management services is for a total of \$575,000. They are currently authorized to proceed with preconstruction services to a maximum fee of \$32,000. Phase one construction costs will be approximately \$11 million. Phase two construction costs will be approximately \$12.1 million. Inspections, testing, furnishings, fixtures, equipment, contingency and other costs are approximately \$3.7 million total for the two phases. The project, including design, construction, inspection and testing, furnishings and equipment will be executed by the University in accordance with Minnesota State Colleges and Universities design and construction standards. The SCSU Foundation will transfer capital campaign funds to the University to allow award of construction and related contracts for the two phases of the project to meet the following estimated schedule:

Notice to proceed with phase one construction	December 2010
On site construction start - phase one	March 2011
Substantial completion phase one construction	October 2011
Notice to proceed with phase two construction	December 2011
On site construction start - phase two	March 2012
Substantial completion phase two construction	October 2012

The facility is located along Herb Brooks Drive on the southern portion of the main campus. The project will provide an entrance lobby and ticketing area, which had been anticipated for a future addition when the building was originally designed. It will also add and improve locker facilities that will support university and community use and improve the spectator experience and access by adding elevators, expanding concourses, improving concessions and expanding toilet facilities. Additional arena seating will be provided in the main rink as well as suite and club seating to enhance sponsorship and philanthropic opportunities. The main rink improvements will allow the facility to host a wide array of events beyond hockey through improved sounds systems, arrangements for audience seating on the floor and provision for rigging shows. The second rink in the facility will be modified to meet NHL standards, provided with additional spectator seating and improved access. This will allow this rink to meet more inter-scholastic competition needs as well as serve as an improved venue for youth hockey. See attachment A for renderings of the proposed facility.

Phase one (50,000 gross square foot (GSF) addition and 20,000 GSF renovations) of the project includes:

- Entrance Lobby and ticketing area for both rinks
- South concourse expansion

- Team Store
- Athletic training area addition
- Operations and coaches offices
- South side suites

Phase two (50,000 GSF addition and 30,000 GSF renovation) of the project includes:

- West and North Concourse additions
- Added arena seating on west
- NHL rink improvements
- Added locker rooms and renovation of existing locker rooms
- Club and classroom areas
- Addition of 20-30 spectator suites
- Main Arena sound and event improvements

The University will continue to operate the expanded facility. No university funds will be used for the construction. The Foundation has assessed the feasibility of the philanthropic goals. A premier national firm, Front Row Marketing, has been engaged to assist the Foundation with the sale of sponsorships and naming rights through the Foundation. There has also been consultation with operational consultants to assure appropriate design and reasonable assumptions on operation of the facility. This, together with the operational history of the facility for the last 22 years, has informed the development of a pro forma that indicates the project will be successful. See also Attachment B.

**RECOMMENDED COMMITTEE ACTION:**

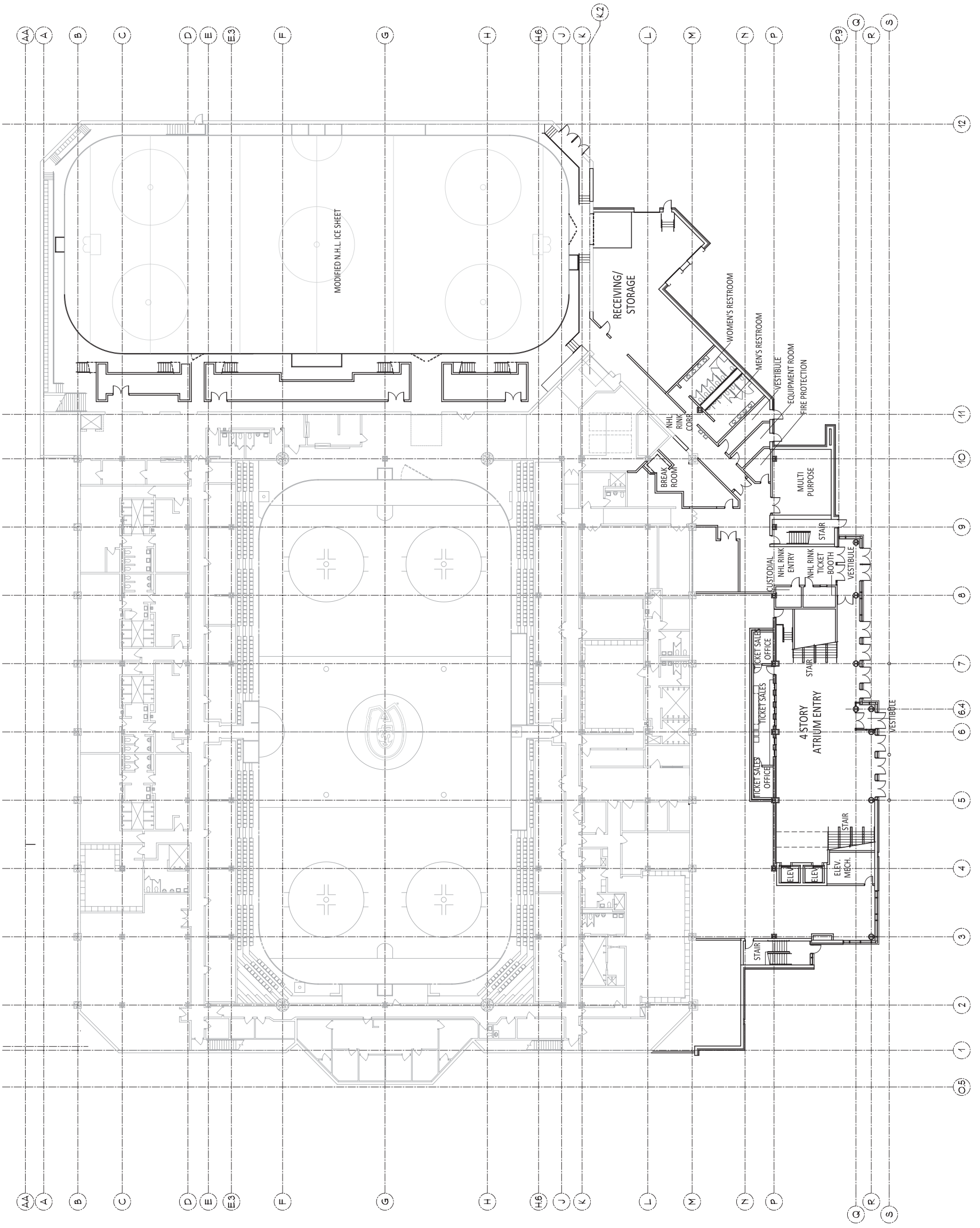
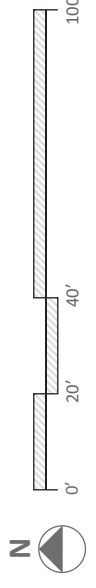
The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the development plan for the St. Cloud State University National Hockey Center, specifically the Phase 1 and Phase 2 construction contracts valued at approximately \$11 million and \$12.1 million respectively, and the funding agreement between the University and the St. Cloud State University Foundation, valued at approximately \$22.6 million. The chancellor is authorized to negotiate the agreement with the Foundation contingent upon approval of the documents by the Office of the Attorney General.

**RECOMMENDED BOARD OF TRUSTEES MOTION:**

The Board of Trustees approves the development plan for the St. Cloud State University National Hockey Center, specifically the Phase 1 and Phase 2 construction contracts valued at approximately \$11 million and \$12.1 million respectively, and the funding agreement between the University and the St. Cloud State University Foundation, valued at approximately \$22.6 million. The chancellor is authorized to negotiate the agreement with the Foundation contingent upon approval of the documents by the Office of the Attorney General.

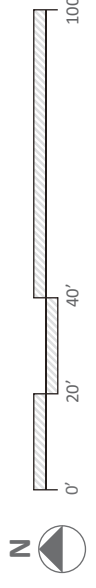
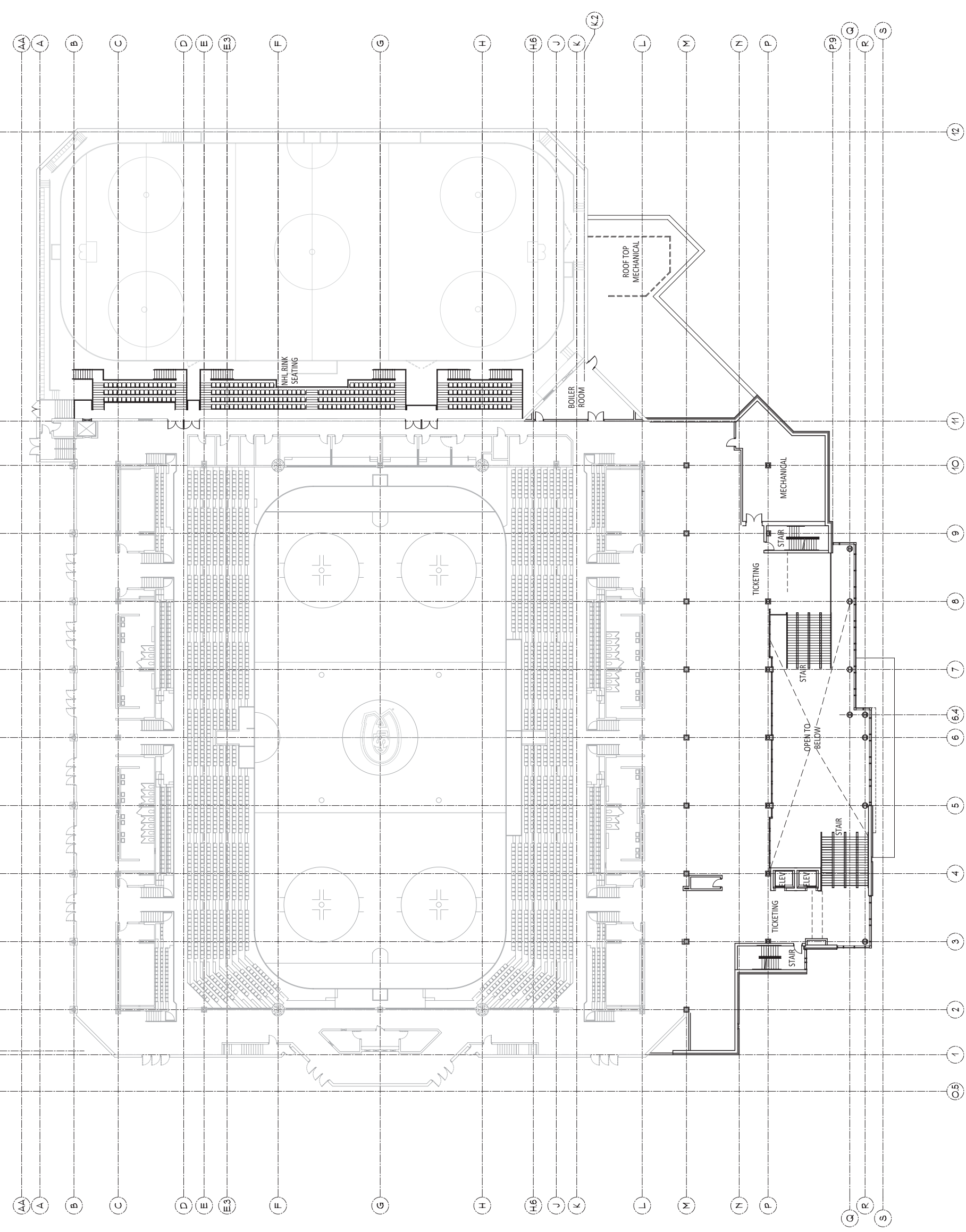
*Date presented to the Board: March 17, 2010*



PHASE 1 - FIRST LEVEL PLAN

SAINT CLOUD STATE UNIVERSITY  
**NATIONAL HOCKEY AND EVENT CENTER**  
 FEBRUARY 18, 2010  
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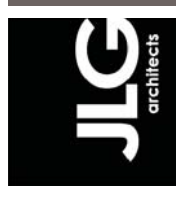
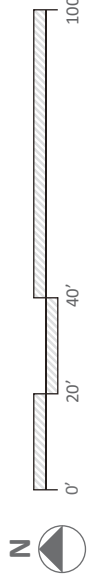
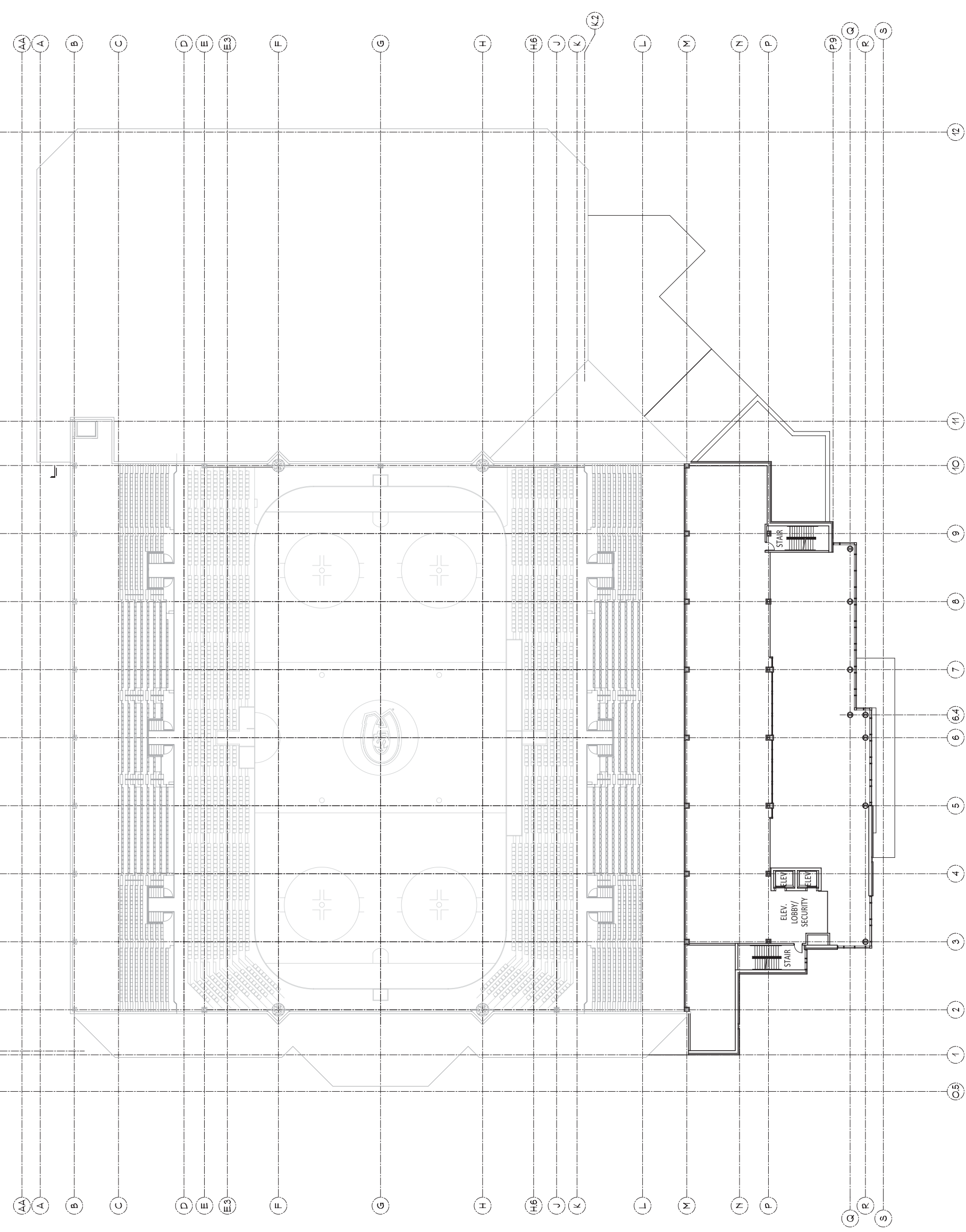




PHASE 1 - SECOND LEVEL PLAN

SAINT CLOUD STATE UNIVERSITY  
**NATIONAL HOCKEY AND EVENT CENTER**  
 FEBRUARY 18, 2010  
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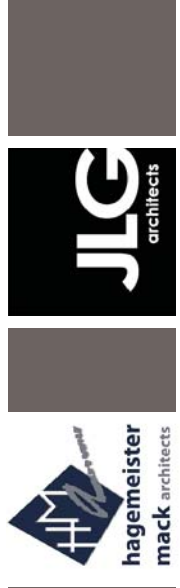
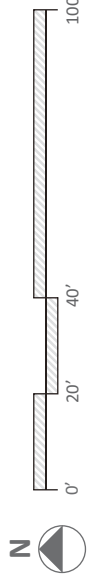
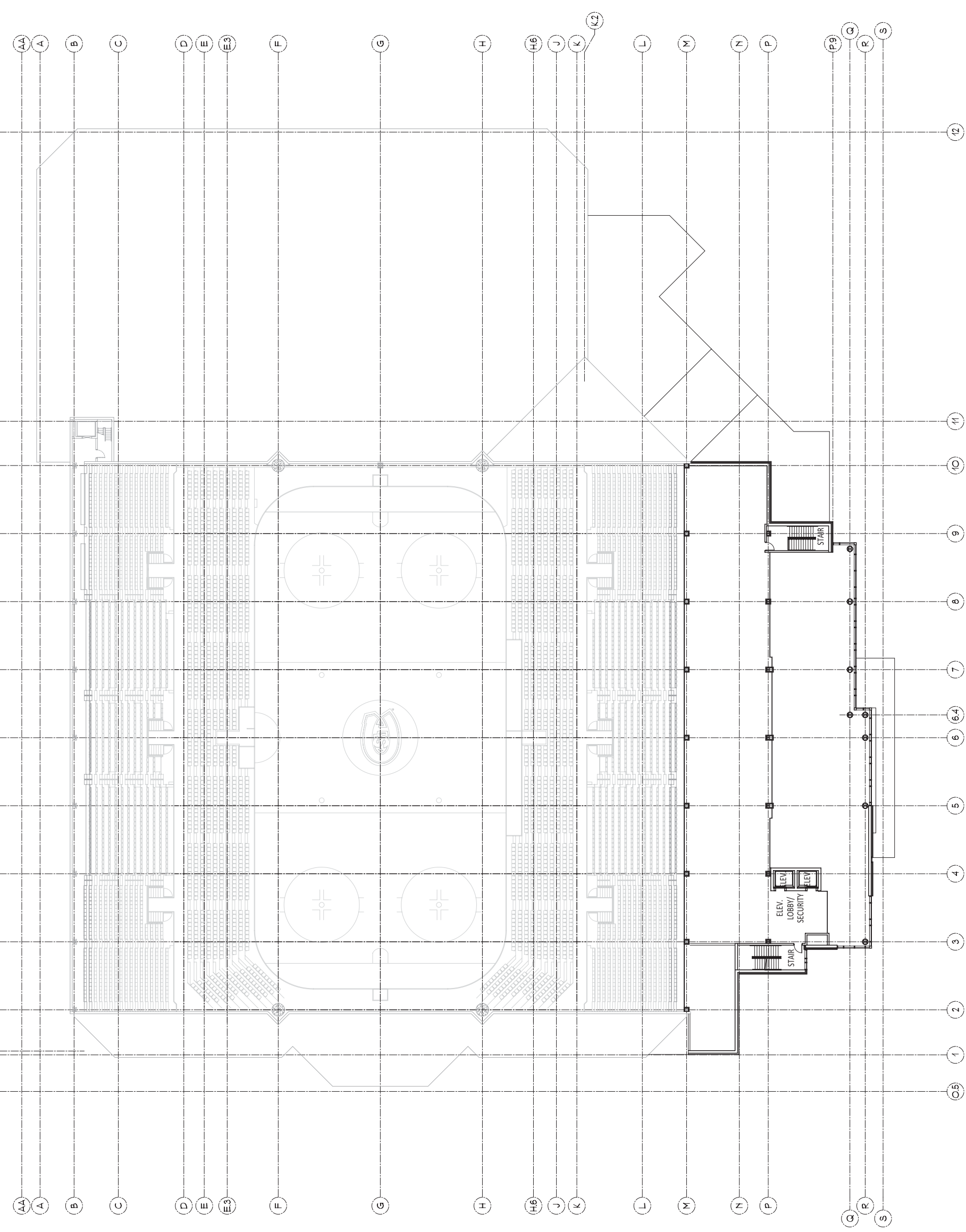




SAINT CLOUD STATE UNIVERSITY  
**NATIONAL HOCKEY AND EVENT CENTER**  
 FEBRUARY 18, 2010 © 2010 JLG ARCHITECTS

**PHASE 1 - THIRD LEVEL PLAN**

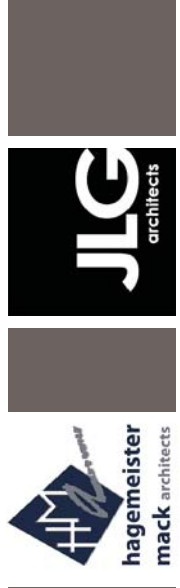
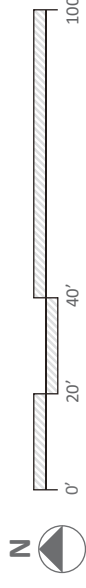
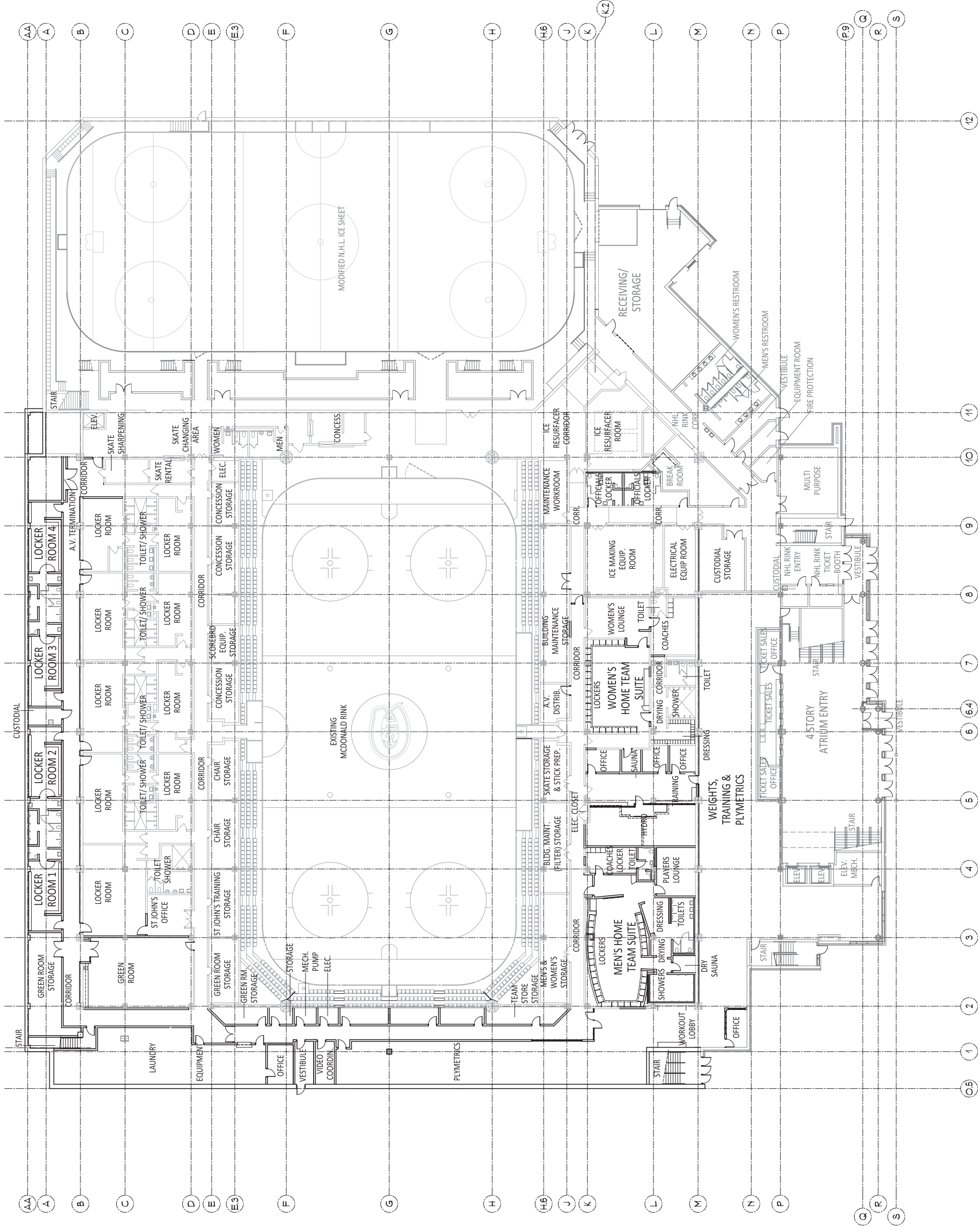




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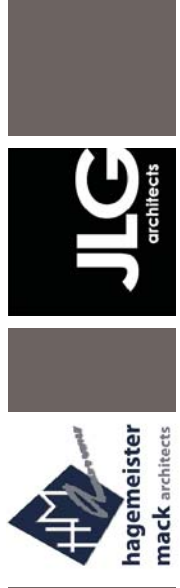
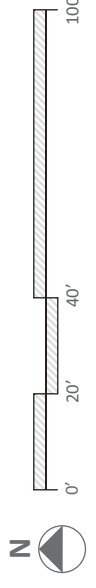
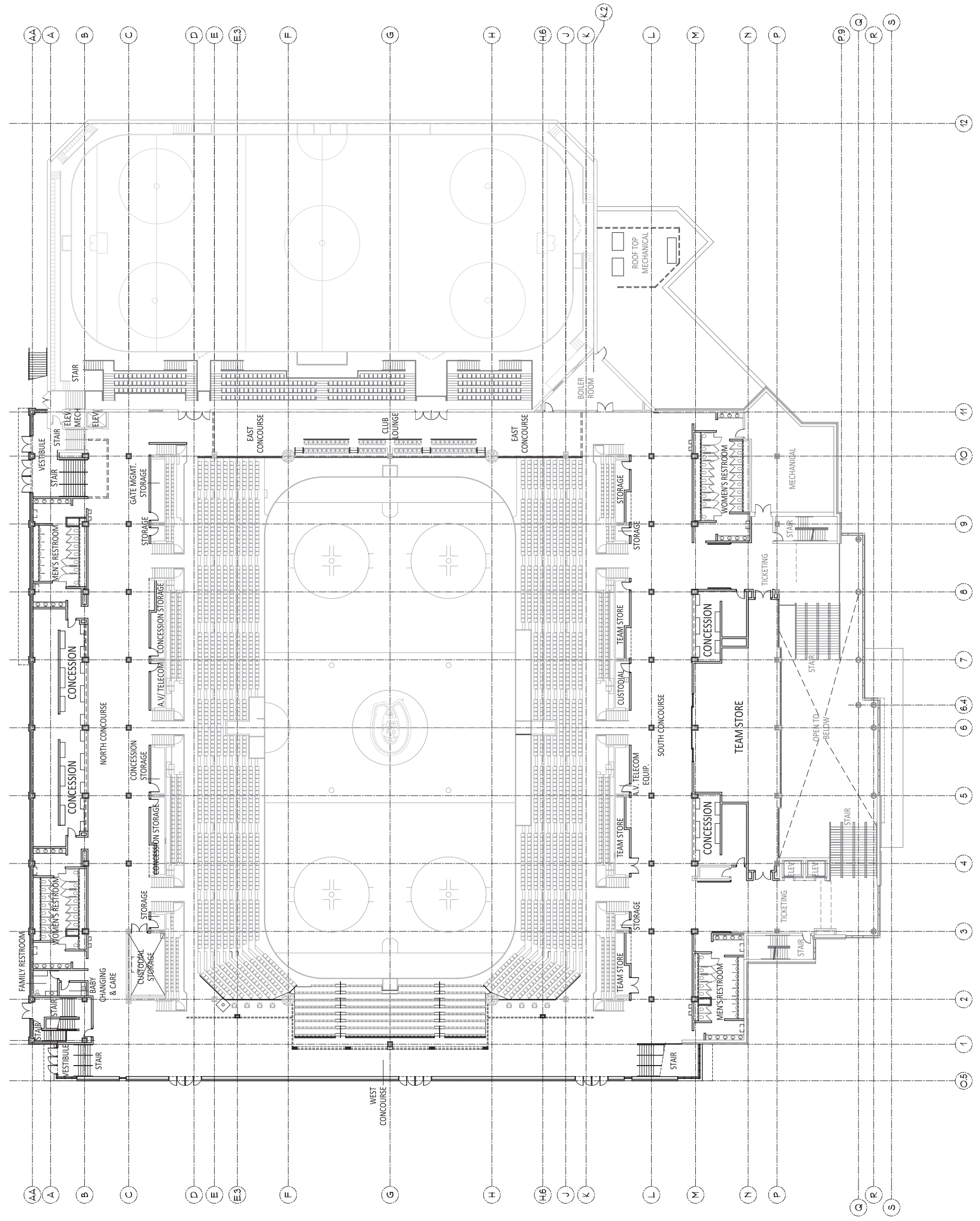




PHASE 2 - FIRST LEVEL PLAN

SAINT CLOUD STATE UNIVERSITY  
**NATIONAL HOCKEY AND EVENT CENTER**  
 FEBRUARY 18, 2010





SAINT CLOUD STATE UNIVERSITY  
**NATIONAL HOCKEY AND EVENT CENTER**  
 FEBRUARY 18, 2010 © 2010 JLG ARCHITECTS







**National Hockey Center  
Uses and Sources of Funds  
February 22, 2010**

<b>Project Component</b>	<b>Cost</b>
Phase One Base	13,727,000
Phase Two Base	15,481,000
South Practice Rink Entrance	included
Soffits at Boxes	included
Practice Rink to NHL	included
West Blackout Curtain	included
<b>Total Construction Project Cost</b>	<b>29,208,000</b>
Financing Costs	1,500,000
Fund Raising Expense	400,000
<b>Total Cost as Designed</b>	<b>31,108,000</b>
<b>Additional Equipment Not In Contract</b>	
Corner Score Boards	550,000
LED Ribbon	550,000
Main Rink Dashers	175,000
Practice Rink Seats	126,000
<b>*Total Added Equipment</b>	<b>1,401,000</b>
<b>Grand Total</b>	<b>32,509,000</b>

<b>Sources of Funds</b>	<b>Funds Required</b>
<b>**General Obligation Bonds</b>	6,500,000
Foundation Funds	24,608,000
<b>Total</b>	<b>31,108,000</b>

\*Added equipment is contingent on additional income or favorable purchasing.

\*\*GO Bond proceeds will be used for planning and phase I construction.

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

**Agenda Item Summary Sheet**

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

**Agenda Item:** FY2010 Capital Project Update

- 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 6.5.1, Capital Program Planning, requires the Board of Trustees to establish criteria for and approve a prioritized multi-year capital budget, approve capital project priorities and guidelines, and final capital projects lists.

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

**Outline of Key Points/Policy Issues:** A bonding bill totaling nearly \$1 billion was passed by the legislature on Monday, February 22. At the time of this writing, the bill has not been sent to the Governor, who indicated he would veto the entire bill. Further negotiations between the Governor and House and Senate leadership took place and a second conference committee proposal was presented on March 4.

**Background Information:** Capital budgets are presented to the legislature every two years in the even year of the biennium as part of a six-year capital plan.



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

**INFORMATION ITEM**

**FY2010 Capital Projects Update**

**BACKGROUND**

In June 2009, the Board of Trustees approved the capital budget for submission to the governor and legislature. Prior to the start of the 2010 legislative session, legislative committees from both the House and Senate, including the respective higher education policy and capital investment committees, met and discussed projects proposed by the Minnesota State Colleges and Universities. A bonding bill totaling nearly \$1 billion was passed by the legislature on Monday, February 22. At the time of this writing, the bill has not been sent to the Governor, who indicated he would veto the entire bill if presented from the first conference committee. Further negotiations between the Governor and House and Senate leadership have taken place, and a second conference committee bill was proposed on March 4 (attachment A).

**FY2010 PROJECTS**

Attachment A is the project and priority list for 2010, annotated with the governor's recommendation and the funding proposed by the House, Senate and the conference committees. Following are some notable highlights:

- Higher Education Asset Preservation and Replacement (HEAPR): Of our \$110 million request, \$52 million was approved.
- Project priority number 7 for acquisition of property for Dakota County Technical College was withdrawn. We closed on the purchase of 66 acres of property from the University of Minnesota on February 1, 2010 for \$1.9 million. Funding came from system reserves and through an Office of the Chancellor loan to Dakota County Technical College.
- All projects, priorities number 2 through 25 were fully funded, with the exception of six projects. This accounted for all vetoed in 2008 and 2009. The priority number 14 project, Minnesota West Community Technical College, Worthington, fieldhouse renovation and addition was not funded.
- Five projects were not funded in their entirety, but were partially funded to complete design. These projects were already funded for partial design in 2008 and this will complete their design so that bidding documents will be completed. Those projects were
  - Project number 8 Alexandria Technical College Main Building renovation & addition
  - Project number 16 Anoka Ramsey Community College, Coon Rapids, Bioscience & Allied Health addition
  - Project number 17 North Hennepin Community College Bioscience & Health Careers Center addition

- Southwest Minnesota State University Science lab renovation
- Dakota County Technical College Transportation & emerging technologies
- The Workforce Center Collocation portion of project number 23 at Rochester Community and Technical College was funded without impact on either the system or college's debt service requirement. Funding for the Workforce Center building addition is to come through lease payments from the Department of Employment and Economic Development.
- New projects numbers 24 and 25 were fully funded. Project number 26 for the Normandale Community College classroom building was funded only to complete the design phase of the project rather than the full design and construction as was requested.
- New project proposals numbers 27 through 30 were not funded; neither was the property acquisition project number 31 for Bemidji State University and Minneapolis Community and Technical College.
- Legislators submitted bills for projects not on the Board's priority list for colleges in their districts, including:
  - \$3.0 million for Mesabi Range Community and Technical College, Virginia campus: building addition and renovations for the Arrowhead Institute of Technology, a 4-year engineering program in collaboration with MSU, Mankato. \$1 million for planning and predesign work had been funded in the 2009 legislative session; however the project had not been developed in time for submission in our capital budget process.
  - \$200,000 for Minnesota West Community and Technical College, Canby campus: to create a predesign and study to acquire land and design to construct a commercial-grade wind tower and turbine for the wind energy program at the college. This project is not defined, the location of the land is not identified, and no predesign work has been done. The college will prepare a predesign to address project scope, cost and schedule.
  - \$200,000 to Pine Technical College as a matching grant to a potential federal grant for a business incubator to be located on the campus. This grant appears in the Employment and Economic Development section of the bonding bill. The grant comes without debt service.
- Several other provisions of the proposed bonding bill will impact our colleges and universities. Language from the second conference committee was not available at the time of this writing, but from the first report the following is proposed:
  - \$12 million was approved for expansion and renovations to the Mankato Civic Center to include ice arena improvements for MSU, Mankato's women's hockey program. Project was reduced one million between the first and second conference committee.
  - Recycling of construction and demolition waste: Construction and demolition contracts must divert debris and waste from landfills and recycle at least 50% of the nonhazardous waste produced by the project. There are other qualifying provisions as well.



Minnesota State Colleges and Universities  
 2010 Bonding Side-by-Side  
 Numbers include user financing

Priority	Project Title	Request	Gov Rec	House	Senate	Conference Committee #1	Conference Committee #2	Final
1	HEAPR	110,000	50,000	60,000	50,000	52,000	52,000	
2	North Hennepin CC Business & Technology addition & renovation	14,782	14,782	14,782	14,782	14,782	14,782	
3	Systemwide - Classroom renovations & demolition	3,883	3,883	3,883	3,883	3,883	3,883	
4	Lake Superior College Health Science Center	12,098	12,098	12,098	12,098	12,098	12,098	
5	Metro SU Classroom Center	5,860	5,860	5,860	5,860	5,860	5,860	
6	NHED, Mesabi Shop space addition & renovation	5,477	5,477	5,477	5,477	5,477	5,477	
7	Dakota County Technical College Property acquisition (removed)	3,500						
8	Alexandria TC Main Building renovation & addition	4,363		4,363	4,363	4,363	0,200	
9	MSCTC, Moorhead Library & classroom addition	5,448		5,448	5,448	5,448	5,448	
10	Anoka Ramsey CC, Coon Rapids Fine Arts Building renovation	5,357		5,357	5,357	5,357	5,357	
11	Hennepin TC Learning Resource Center & Student Service Center renovation	10,566		10,566	10,566	10,566	10,566	
12	Minneapolis C&TC Workforce program renovation	12,990		12,990	12,990	12,990	12,990	
13	Ridgewater Technical instruction lab construction & renovation	14,300		14,300	14,300	14,300	14,300	
14	MNWest, Worthington Fieldhouse renovation & addition	4,641		4,641	4,641	4,641		
15	South Central College, Fairbault Classroom renovation & addition	13,360		13,360	13,360	13,360	13,360	
16	Anoka Ramsey CC, Coon Rapids Bioscience & Allied Health addition	16,484		16,484	16,484	16,484	0,400	
17	North Hennepin CC Bioscience & Health Careers Center addition	26,581		26,581	26,581	26,581	0,600	
18	MSU Moorhead Livingston Lord Library & Information Technology renovation	14,901		14,901	14,901	14,901	14,901	
19	Southwest Minnesota SU Science lab renovation	5,666		5,666	5,666	5,666	0,200	
20	St. Cloud SU Integrated Science & Engineering Laboratory Facility	42,334		42,334	42,334	42,334	42,334	
21	Dakota County TC Transportation & emerging technologies lab renovation	7,230		7,230	7,230	7,230	0,300	
22	St. Cloud TC Allied Health Center renovation	5,421	5,421	5,421	5,421	5,421	5,421	
23	Rochester C&TC Workforce Center co-location	3,238		3,238	3,238	3,238	3,238	
24	Systemwide - Renovations for science, technology, engineering & math programs	4,835		4,835	4,835	4,835	4,835	
25	Minnesota SU, Mankato Clinical Science Building design	1,908		1,908	1,908	1,908	1,908	
26	Normandale CC Academic Partnership Center & Student Services Building	22,984	22,984	22,984		1,000	1,000	
27	Bemidji SU Business building addition design & demolition	3,425		3,425				
28	Metro SU Science Education Center design & property acquisition	3,444		3,444				
29	Rochester C&TC Classroom renovation design	0,987						
30	Systemwide - library renovations	3,448						
31	Bemidji SU & Minneapolis C&TC Property acquisition	7,300			2,000			
	Minnesota West C&TC Canby Wind Turbine Training Facility			4,000		3,000	0,200	
	NHED Mesabi Range C&TC, Virginia Iron Range Engineering Program			3,000	0,263	3,000	3,000	
	Rochester C&TC Workforce Center (DEED Lease Funding) User Financing			5,262	5,262	5,262	5,262	
	Pine Technical College Business Incubator (Non Add)			0,200	0,200	0,200	0,200	
	<b>Total</b>	<b>396,811</b>	<b>114,645</b>	<b>343,838</b>	<b>297,340</b>	<b>305,985</b>	<b>239,920</b>	
	<b>HEAPR</b>	<b>110,000</b>	<b>50,000</b>	<b>60,000</b>	<b>50,000</b>	<b>52,000</b>	<b>52,000</b>	
	<b>Projects</b>	<b>286,811</b>	<b>64,645</b>	<b>283,838</b>	<b>247,340</b>	<b>253,985</b>	<b>187,920</b>	
	<b>User Financing</b>	<b>95,604</b>	<b>21,548</b>	<b>98,121</b>	<b>85,955</b>	<b>88,170</b>	<b>60,886</b>	
	<b>General Obligation</b>	<b>301,207</b>	<b>93,097</b>	<b>245,717</b>	<b>211,385</b>	<b>217,815</b>	<b>179,034</b>	
	<b>RCTC WFC lease financing (included in UF)</b>	<b>0</b>	<b>0</b>	<b>5,262</b>	<b>5,262</b>	<b>5,262</b>	<b>5,262</b>	

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

**Agenda Item Summary Sheet**

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

**Agenda Item:** Proposed Amendments to Board Policies: Policy 5.13 Information Technology Administration; Policy 6.4 Facilities 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*

<b>BOARD ACTION</b>
Proposed Amendments to Board Policies: Policy 5.13 Information Technology Administration; Policy 6.4 Facilities 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 5.13, Information Technology Administration**

There was a clerical error in the board materials when this policy amendment was presented in January for its first reading. The error has been corrected as shown in Attachment A.

The proposed amendment to Policy 5.13 Information Technology Administration calls for each college and university to ensure that the information technology planning components of its strategic plan are aligned with system planning goals.

**Policy 6.4, Facilities Planning**

As shown in Attachment B, the proposed amendment to Policy 6.4 Facilities Planning adds “plans for modernization, renewal and improved sustainability” to each president’s scope of responsibility.

**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 5.13 Information Technology Administration; Policy 6.4 Facilities Planning as shown in Attachments A-B.

**RECOMMENDED BOARD ACTION**

The Board of Trustees approves amending Policy 5.13 Information Technology Administration; Policy 6.4 Facilities Planning as shown in Attachments A-B.

*Date Presented to the Board: March 17, 2010*

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

<b>BOARD POLICY</b>		<b>5.13</b>	
Chapter	5	Chapter Name	Administration
Section	5.13	Policy Name	Information Technology Administration

**Policy 5.13 Information Technology Administration**

1 **Part 1. Policy Statement.** It is the policy of the Board of Trustees in accordance with  
 2 [the system's](#) its mission to disseminate and extend knowledge, to foster the free  
 3 exchange of ideas, and to provide effective support for its teaching, research and public  
 4 service functions. Appropriate access will be afforded to information technology  
 5 resources, including but not limited to computers, software, e-mail accounts, internet  
 6 access, and similar computing tools, for ~~Minnesota State College and University~~  
 7 students, faculty and staff for fulfilling the missions, and for appropriate related  
 8 activities.

9  
 10 **Part 2. Responsibilities.** The chancellor shall develop an information technology  
 11 strategic plan  
 12 for approval by the Board of Trustees and prescribe data, applications, security, and  
 13 technology standards in order to ensure the effectiveness, efficiency, timeliness, and  
 14 accuracy of information gathered, stored and utilized by the system office, colleges, and  
 15 universities. ~~The chancellor shall review college and university information technology~~  
 16 ~~plans.~~ [Each college and university shall ensure that the information technology planning](#)  
 17 [components of its strategic plan are aligned with system planning goals.](#)

18  
 19 Each college and university shall adopt a ~~campus~~ policy on computer and network  
 20 system use and security.

21  
 22 **Part 3. Accountability/Reporting.** The [chancellor](#) ~~Board~~ will be periodically [shall](#)  
 23 [provide an](#) updated [to the Board](#) on the implementation of the [system](#) MnSCU  
 24 information technology strategic plan ~~and the plans of the colleges and universities.~~

25 **Related Documents:**

- 26
- [IT Strategic Plan](#)
  - ~~Future Procedure 5.13.1 Information Technology Administration~~
- 27

28 [www.csu.mnscu.edu](http://www.csu.mnscu.edu)

29 [www.ot.state.mn.us](http://www.ot.state.mn.us)

30 [Minnesota State Agency Digital Signature Implementation and Use Standards](#)

31

32 *Date of Implementation: 06/21/00*

33 *Date of Adoption: 06/21/00*

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

<b>BOARD POLICY</b>		<b>6.4</b>
Chapter 6	Chapter Name	Facilities Management
Section 6.4	Policy Name	Facilities Planning

1 **6.4 Facilities Planning**

2 **Part 1. Policy Statement.** It is the policy of the Board of Trustees to require a Facilities  
3 Master Plan following campus adoption of a master academic plan for all colleges and  
4 universities to assure [short and](#) long-range planning of college and universities facilities.  
5 It is the policy of the Board of Trustees that the facilities of state colleges and  
6 universities are to be used primarily for purposes of fulfilling the college's or  
7 university's missions of teaching, research, and public service.

8 **Part 2. Responsibilities.** The president of each college and university is responsible for  
9 developing and maintaining an ongoing Facilities Master Plan. Facilities Master Plans  
10 must be consistent with systemwide guidelines. Campus development, siting of new  
11 buildings and structures, and renovation, [repair and renewal](#) of existing facilities shall be  
12 consistent with the Facilities Master Plan. The president of each college and university  
13 is responsible for assuring appropriate use of all facilities and grounds on their  
14 campuses.

15 The president of each college and university is responsible for developing and  
16 maintaining a current facilities assessment, [plans for modernization, renewal and](#)  
17 [improved sustainability,](#) and [a](#) record of space utilization as a base for multi-year capital  
18 program planning requests.

19 **Part 3. Accountability/Reporting.** All Facilities Master Plans and periodic updates, and  
20 deviations therefrom, will be approved by the chancellor.

21 *Date of Implementation:*

22 *06/21/00 Date of*

23 *Adoption: 06/21/00*

24 *Date and Subject of Revision:*

25 *01/22/04 -clarifies in Part 2 the activities that shall be consistent with the Facilities*  
26 *Master Plan; revises Part 3 to provide for the chancellor to approve Facilities*  
27 *Master Plans and periodic updates, and deviations therefrom.*

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

**Agenda Item Summary Sheet**

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

**Agenda Item:** Proposed Amendments to Board Policies: Policy 5.14 Procurement and Contracts; Policy 5.22 Acceptable Use of Computers and Information Technology Resources; Policy 7.4 Financial Reporting; Policy 7.7 Gifts and Grants Acceptance (Second Reading)

- |  |   |  |                                     |
|--|---|--|-------------------------------------|
| <input checked="" type="checkbox"/> Proposed Policy Change | <input type="checkbox"/> Approvals Required by Policy | <input type="checkbox"/> Other Approvals | <input type="checkbox"/> Monitoring |
| <input type="checkbox"/> 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**

*Second Reading*

**BOARD ACTION**

Proposed Amendments to Board Policies: Policy 5.14 Procurement and Contracts;  
Policy 5.22 Acceptable Use of Computers and Information Technology Resources;  
Policy 7.4 Financial Reporting; Policy 7.7 Gifts and Grants Acceptance

**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 5.14, Procurement and Contracts**

As shown in Attachment A, the proposed amendment to Policy 5.14, Procurement and Contracts will:

1. require Board approval for contracts, including amendments, with values greater and \$3,000,000. The first reading of Policy 5.14 proposed a changed to values greater than \$5,000,000. After Committee discussion the consensus was to increase Board approval for contracts from the current level of \$2,000,000 to \$3,000,000;
2. clarify that approval by the Board of Trustees is not required 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. Currently, these agreements are not specifically addressed in any Board policy.



**Policy 5.22 Acceptable Use of Computers and Information Technology Resources**

As shown in Attachment B, the proposed amendment to Policy 5.22, Acceptable Use of Computers and Information Technology Resource, adds “mobile computing devices and multimedia materials” to the list of technical information resources.

**Policy 7.4, Financial Reporting**

As shown in Attachment C, the proposed amendment to Policy 7.4, Financial Reporting, notes the recent name change of the Department of Finance to Minnesota Management and Budget. The proposed amendment also clarifies that financial statements for individual institutions are designated by Board action. Financial statements will be presented annually to the Board of Trustees for its review and authorization to release.

**Policy 7.7, Gifts and Grants Acceptance**

As shown in Attachment F, the proposed amendment to Policy 7.7, Gifts and Grants Acceptance provides that the Board of Trustees will be periodically updated on the nature and the amount of all gifts and grants with a value in excess of \$50,000 accepted by the colleges, the universities, and the system. The proposed amendment raises the value of reportable gifts is from \$5,000 to \$50,000. Colleges and university are required to maintain a list of all gifts and grants for incorporation into a comprehensive annual report to the Chancellor.

**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 5.14 Procurement and Contracts; Policy 5.22 Acceptable Use of Computers and Information Technology Resources; Policy 7.4 Financial Reporting; and Policy 7.7 Gifts and Grants Acceptance as shown in Attachments A-D.

**RECOMMENDED BOARD ACTION**

The Board of Trustees approves amending Policy 5.14 Procurement and Contracts; Policy 5.22 Acceptable Use of Computers and Information Technology Resources; Policy 7.4 Financial Reporting; and Policy 7.7 Gifts and Grants Acceptance as shown in Attachments A-D.

*Date Presented to the Board: March 17, 2010*

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

<b>BOARD POLICY</b>		<b>5.14</b>	
Chapter	5	Chapter Name	Administration
Section	5.14	Policy Name	Procurement and Contracts

**Policy 5.14 Procurement and Contracts**

**Part 1. Authority.**

Pursuant to Minnesota Statutes § 136F.581, the Board of Trustees has authority for purchases and contracts consistent with Minnesota Statutes § 471.345, the Uniform Municipal Contracting Law, and other pertinent statutes, as well as the authority to utilize any contracting options available to the commissioner of administration under Minnesota Statutes Chapters 16A, 16B and 16C. It is the policy of the Board of Trustees that contracts, including real property leases, shall not exceed five years, including renewals, unless otherwise provided for by law or approved by the chancellor or the chancellor's designee.

**Part 2. Responsibilities.**

The state colleges, universities, and ~~office of the chancellor~~ Office of the Chancellor are responsible for procurement of necessary goods and services and the implementation of contracts that maximize the use of financial resources ~~at the office of the chancellor and each institution.~~

The system-wide procedures for procurement and contracts shall be consistent with Minnesota Statutes § 471.345, the Uniform Municipal Contracting Law, as applicable, and in compliance with other pertinent state and federal laws. The procedures shall provide detailed instructions for campus and system implementation.

Policies and procedures relating to facilities design and construction contracts are addressed in Board Policy 6.5, Capital Program Planning.

**Part 3. Accountability/Reporting.**

College and university presidents will be held accountable by the chancellor for complying with state and federal laws, Board policy, and system-wide procedures for all purchases and contracts.

Annual reports on procurement contracts with values greater than ~~\$50,000~~ \$100,000 will be available on the system's Web site and in other formats upon request. ~~Unless otherwise authorized in Board policy, all~~ contracts, including amendments, with values greater than ~~\$2,000,000~~ \$3,000,000 ~~shall require pre-approval~~ must be approved in advance by the Board of Trustees: except as provided in this policy.

1 Approval by the Board of Trustees is not required for inter-agency and intra-agency  
2 agreements, joint powers agreements that do not create a joint powers board, Minnesota  
3 Department of Administration master contracts, Office of Enterprise Technology master  
4 contracts or Minnesota State Colleges and Universities master contracts. Periodic  
5 reports will be provided to the Board of Trustees on these types of contracts.

6 \_\_\_\_\_

7 Date of Implementation: 06/21/00

8 Date of Adoption: 06/21/00

9 Date & Subject of Revisions:

10 06/21/06 - Amended Part 1 removing requirement to report exceptions the Board  
11 annually. Other technical changes.

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

<b>BOARD POLICY</b>		<b>5.22</b>
Chapter 5	Chapter Name	Administration
Section 5.22	Policy Name	Acceptable Use of Computers and Information Technology Resources

**5.22 Acceptable Use of Computers and Information Technology Resources**

1 **Policy Statement.** Computer and information technology resources are essential tools in  
2 accomplishing the mission of Minnesota State Colleges and Universities and its  
3 individual institutions. These resources must be used and managed responsibly in order  
4 to ensure their availability for the competing demands of teaching, scholarship,  
5 administration and other mission-related uses. This policy establishes responsibilities for  
6 acceptable use of Minnesota State Colleges and Universities information technology  
7 resources.

8  
9 **Part 1. Purpose.**

10 **Subpart A. Acceptable use.** System information technology resources are provided for  
11 use by currently enrolled system students, administrators, faculty, other employees, and  
12 other authorized users. System information technology resources are the property of  
13 Minnesota State Colleges and Universities, and are provided for the direct and indirect  
14 support of the System's educational, research, service, student and campus life activities,  
15 administrative and business purposes, within the limitation of available system  
16 technology, financial and human resources. The use of Minnesota State Colleges and  
17 Universities information technology is a privilege conditioned on adherence to this  
18 policy and any procedures or guidelines adopted pursuant to this policy.

19  
20 **Subpart B. Academic freedom.** Nothing in this policy shall be interpreted to expand,  
21 diminish or alter academic freedom, articulated under board policy and system collective  
22 bargaining agreements, or the terms of any charter establishing a System library as a  
23 community or public library.

24  
25 **Part 2. Applicability.**

26 This policy applies to all users of System information technology, whether or not the  
27 user is affiliated with Minnesota State Colleges and Universities, and to all uses of those  
28 resources, wherever located.

29 Minnesota State Colleges and Universities is not responsible for any personal or  
30 unauthorized use of its resources. Security of data transmitted on its information  
31 technology resources cannot be fully guaranteed.

1 **Part 3. Definitions.**

2 **Subpart A. System.** ~~For purposes of this policy,~~ System means the Board of Trustees,  
3 the Office of the Chancellor, the state colleges and universities, and any part or  
4 combination thereof.

5 **Subpart B. System information technology.** System information technology means all  
6 System facilities, technologies, and information resources used for information  
7 processing, transfer, storage and communications. This includes, but is not limited to,  
8 computer hardware and software, computer labs, classroom technologies such as  
9 computer-based instructional management systems, and computing and electronic  
10 communications devices and services, such as modems, e-mail, networks, telephones  
11 ~~(including cellular)~~, voicemail, facsimile transmissions, video, mobile computing  
12 devices, and multimedia materials.

13 **Subpart C. Transmit.** Transmit means to send, store, collect, transfer or otherwise alter  
14 or affect information technology resources or data contained therein.

15 **Subpart D. User.** User means any individual, including, but not limited to, students,  
16 administrators, faculty, other employees, volunteers, and other authorized individuals  
17 using System information technology in any manner, whether or not the user is affiliated  
18 with Minnesota State Colleges and Universities.

19 **Part 4. Scope.**

20 **Subpart A. Procedures.** The chancellor shall adopt procedures under this policy,  
21 including, but not limited to: security; employee use, consistent with Minnesota Statutes  
22 section 43A.38 and other applicable law; monitoring; unauthorized uses and other  
23 limitations on use.; ~~and adoption of college and university procedures.~~

24 **Subpart B. Sanctions.** Users who violate this policy or related System, college or  
25 university procedures shall be subject to disciplinary action through appropriate  
26 channels. Violations may be referred to appropriate law enforcement authorities  
27 consistent with applicable law and procedures.

28 \_\_\_\_\_  
29

30 Date of Adoption: 7/16/03  
31 Date of Implementation: 7/16/03  
32  
33 Date & Subject of Revisions:  
34 Original date of implementation: 7/16/03  
35 Original date of adoption: 7/16/03

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

<b>BOARD POLICY</b>		<b>7.4</b>	
Chapter	7	Chapter Name	General Finance Provisions
Section	7.4	Policy Name	Financial Reporting

### 7.4 Financial Reporting

1 **Part 1. Policy Statement.**

2 It is the policy of the Board of Trustees to provide financial statement information that is  
3 accurate, timely, reliable and consistent. Information provided to the state as part of the  
4 state-wide financial audit will be of high quality and consistent with standards of  
5 excellence. The chancellor and presidents will be dedicated to continuous improvement  
6 of financial reporting.

7 It is the policy of the Board of Trustees to seek ~~progress in the attainment of~~ audited  
8 financial statements for the system as a whole and ~~all individual institutions~~ as  
9 designated by Board action. To that end, the Board of Trustees has adopted a multi-year  
10 audit plan. The chancellor shall periodically advise the Board of progress toward the  
11 Board's audit plan.

12 **Part 2. Responsibilities.**

13 All financial reports shall be prepared in accordance with the provisions of Minnesota  
14 Statutes, official directives of ~~the Department of Finance~~ Minnesota Management and  
15 Budget, and in conformity with the guidelines of the Governmental Accounting  
16 Standards Board (GASB), and the guidelines of the National Association of College and  
17 University Business Officers (NACUBO). The colleges and universities must provide  
18 accurate, timely, reliable and consistent financial information necessary for the prudent  
19 stewardship of the colleges and universities and for systemwide reporting. The reports  
20 shall be approved by the vice chancellor - chief financial officer.

21 The annual Minnesota State Colleges and Universities financial report shall be prepared  
22 under the direction of the vice chancellor - chief financial officer and filed with ~~the~~  
23 Department of Finance Minnesota Management and Budget as specified by law and  
24 governmental accounting standards.

25 **Part 3. Accountability/Reporting.**

26 Financial statements will be presented annually to the Board of Trustees for its  
27 ~~information review and authorization to release~~.

28 \_\_\_\_\_  
29 Date of Implementation: 06/21/00

30 Date of Adoption: 06/21/00

31

32 Date & Subject of Revisions:

33 06/2003 - changes "MnSCU" to "Minnesota State Colleges and Universities"

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

<b>BOARD POLICY</b>		<b>7.4</b>
Chapter 7	Chapter Name	General Finance Provisions
Section 7.7	Policy Name	Gifts and Grants Acceptance

**7.7. Gifts and Grants Acceptance**

**Part 1. Authority.**

Pursuant to Minnesota Statutes § 136F.80, the Board of Trustees may apply for, receive and accept on behalf of the state and for the benefit of any state college or university any grant, gift, bequest, devise or endowment that any person, firm, corporation, foundation, or association may make to the ~~office~~ Office of the ~~chancellor~~ Chancellor or a college or university or any federal, state, or private money made available for the purpose of providing student financial aid at the colleges and universities. Each gift or grant must be consistent with the college, university or system mission.

**Part 2. Responsibility.**

Each college and university president is authorized on behalf of the institution to accept gifts and grants made to the institution, other than gifts or grants of real property. All gifts and grants over \$50,000 shall be reported to the Board of Trustees.

The chancellor is authorized on behalf of the Board of Trustees to accept gifts and grants made to the ~~office~~ Office of the ~~chancellor~~ Chancellor, other than gifts or grants of real property.

All gifts and grants of real property shall be formally accepted by the Board of Trustees and shall be subject to appropriate due diligence and conformance with the campus facilities master plan.

All gifts and grants must be recorded in the Minnesota State Colleges and Universities' financial system.

System procedures will include criteria for the acceptance of gifts and grants.

**Part 3. Transfer of Gift.**

A college or university that receives a gift or bequest as provided in Minnesota Statutes § § 136F.80 and § 136F.81 that is intended for the purposes performed by a foundation approved under Minnesota Statutes § 136F.46 may transfer the money to its foundation, provided the money is used only for public purposes.

31 **Part 4. Accountability/Reporting.**

32 No proposal shall be submitted to any funding authority without the signature of the  
33 president (for institutional grants) or the chancellor (for ~~office~~Office of the ~~chancellor~~  
34 Chancellor grants), or a person designated by the president or chancellor.

35 ~~The Board of Trustees~~The Chancellor or his designee will be periodically updated on the  
36 nature and the amount of all gifts and grants with a value in excess of ~~\$5,000~~\$50,000  
37 accepted by the colleges, the universities, and the system. ~~The chancellor may also~~  
38 ~~report on other gifts and grants.~~ The colleges and universities shall maintain a list of all  
39 gifts and grants for ~~submission each fiscal year to the office of the chancellor to be~~  
40 ~~incorporated into a comprehensive report to the Board of Trustees~~incorporation into a  
41 comprehensive annual report to the Chancellor.

42

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43 Date of Implementation: 06/21/00

44 Date of Adoption: 06/21/00

45 Date & Subject of Revisions:

46 06/21/06 - Amended Part 2 requiring gifts and grants of real property to be subject to  
47 due diligence and conformance with campus facilities master plan. And other technical  
48 changes.



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

**Agenda Item Summary Sheet**

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

**Agenda Item:** Minnesota State Colleges and Universities System and Economic Outlook for FY2011-2013

- |  |   |   |                                     |
|--|---|---|-------------------------------------|
| <input type="checkbox"/> Proposed<br>Policy Change | <input type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals | <input type="checkbox"/> Monitoring |
| <br>   |   |   |                                     |
| <input checked="" type="checkbox"/> Information    |   |   |                                     |

**Cite policy requirement, or explain why item is on the Board agenda:** The purpose of this report is to continue a discussion with the Finance, Facilities and Technology Committee regarding the budget outlook for fiscal years 2011 as well as the 2012-2013 biennium.

**Scheduled Presenter(s):** Laura M. King, Vice Chancellor - Chief Financial Officer  
Judy Borgen, Associate Vice Chancellor Budget  
Karen Kedrowski, System Budget Director

**Outline of Key Points/Policy Issues:** The impact of the governor's supplemental budget recommendation and highlights of the February 2010 budget forecast will be provided to the Committee. Discussions are occurring with the Leadership Council to target limited state resources to the highest system priorities.

**Background Information:** The system has been engaged in a multi-year budget planning process. The governor has released a supplemental budget request as well as an updated economic forecast for the state of Minnesota.



The governor’s supplemental budget maintains funding for priority areas including military and veterans, core public safety, and K-12 education classrooms and relies on \$387 million from the federal government for the Medicaid program if the health care reform bill is passed. Table 2 shows the impact of the governor’s budget recommendations.

**Table 2**

**Governor’s Supplemental Budget Recommendations  
(\$ in millions)**

	<b>FY2010-2011</b>
Forecast deficit	\$1,203
Budget changes	
Aid to local units of government	\$250
Health and human services	\$347
Extended federal Medicaid match	\$387
Higher education institutions	\$47
State agencies/grants/other	\$181
Subtotal, recommendations	<u>\$1,212</u>
Biennial balance	\$9

On March 2 Minnesota Management and Budget released the state’s February 2010 economic forecast. There was modest improvement in the budget outlook since the November 2009 forecast. Revenues are forecast to increase an additional \$25 million and a reduction in expenses of \$184 million for a positive net change of \$209 million. (Table 3) The \$184 million reduction in expenses was the result of large savings in the health and human services area. Half of the savings are “one-time” and the result of an expansion of the temporary federal medical assistance percentage (FMAP). The deficit for 2010-2011 biennium is now projected at \$994 million, down from \$1.2 billion. The current deficit is about 6 percent of fiscal year 2011 spending.

Table 3

**State of Minnesota  
Fiscal Years 2010-2011 Forecast**

(\$ in millions)	<u>November Forecast</u>	<u>February Forecast</u>	<u>Change</u>
<b>Beginning balance</b>	<b>\$447</b>	<b>\$447</b>	<b>\$0</b>
Revenues	\$29,986	\$30,011	\$25
Expenditures	\$31,286	\$31,102	(\$184)
Cash flow account	<u>\$350</u>	<u>\$350</u>	<u>\$0</u>
<b>Balance</b>	<b>(\$1,203)</b>	<b>(\$994)</b>	<b>\$209</b>

Source: Minnesota Management and Budget, February 2010 Forecast.

As shown in Table 4, the projected deficit of \$994 million is comprised of a reduction in general fund revenues of \$1.131 billion (3.6 percent) and a very small decrease in expenses of \$228 million (0.7 percent). The decline in individual income tax receipts of \$894 million accounts for most of the decline in revenues at 79 percent. Although the forecast for the 2010-2011 biennium shows a modest improvement in the budget outlook, it will not impact the governor's supplemental budget recommendation.

Table 4

**State of Minnesota  
Fiscal Years 2010-2011  
Forecast Compared to End-of-Session**

(\$ in millions)	<u>End-of- Session</u>	<u>February Forecast</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Beginning balance</b>	<b>\$538</b>	<b>\$447</b>	<b>(\$91)</b>	
Revenues	\$31,142	\$30,011	(\$1,131)	-3.6%
Expenditures	\$31,330	\$31,102	(\$228)	-0.7%
Cash flow account	<u>\$350</u>	<u>\$350</u>	<u>\$0</u>	
<b>Balance</b>	<b>\$0</b>	<b>(\$994)</b>	<b>(\$994)</b>	

Source: Minnesota Management and Budget, February 2010 Forecast.

The projected deficit for the 2012-2013 biennium has grown to \$5.789 billion, a \$363 increase over the November 2009 forecast gap of \$5.426 billion. (Table 5)

**Table 5**

**State of Minnesota  
Change in FY2012-2013 Planning Estimates**

(\$ in millions)	November Forecast	February Forecast	Change
Revenues	\$33,218	\$32,906	(\$312)
Expenditures	\$38,644	\$38,695	\$51
<b>Difference</b>	<b>(\$5,426)</b>	<b>(\$5,789)</b>	<b>(\$363)</b>
<i>Inflation estimate</i>		\$1,181	

*Planning estimates assume:*

- Complete repayment of the K-12 aid deferral. Delaying repayment would save \$1.163 billion.
- No repayment of the K-12 property tax recognition shift. Repayment would cost \$564 million.
- No continued GAMC spending. Restoring the program would cost \$928 million.

Source: Minnesota Management and Budget, February 2010 Forecast.

### **Budget planning 2010-2011**

The system and the colleges and universities have taken a multi-year approach to budget planning. The planning has been guided by three principles:

- The Chancellor and system leadership will seek to make decisions in a way that best serves students;
- Decisions will strive to take into account the system's mission to serve the economic development needs of the state and its communities; and
- Planning will take a multi-year approach, positioning the system for long-term financial viability.

The Committee was provided with a preliminary planning framework at its January 2010 meeting. The assumptions included in that framework are:

- Include a state support reduction of \$60.5 million as announced by the Governor;
- Assume tuition rate increases not to exceed 5 percent;
- Recognize modest compensation inflationary cost increases (insurance increase and steps for classified employees);
- Expect the continuation of the already approved federal stimulus funds for one-time expenses;
- Maintain/increase fund balances and reserve levels when appropriate; and
- Reach structural balance by the end of fiscal year 2011 targeting governor's planning assumption of \$594.4 million.

The state's economic outlook has a significant influence on the system's financial condition. The governor's supplemental budget recommendation in response to the forecast deficit in the current biennium changes the system's preliminary budget outlook for fiscal year 2011 from a positive budget gap of \$9.7 million to a negative gap of \$50.7 million before any use of fund balance or further budget reductions. (Table 6)

**Table 6**

**Minnesota State Colleges and Universities  
Summary Outlook – Fiscal Year 2011 General Fund**

(\$ in millions)	<b>Fiscal Year 2010 Proposed Budget</b>	<b>Preliminary Fiscal Year 2011 Outlook</b>	<b>Revised Fiscal Year 2011 Outlook</b>
<b>Revenues</b>			
State appropriation	\$614.2	\$666.0	\$605.5
Tuition*	\$708.3	\$740.5	\$740.5
ARRA funds*	\$26.7	\$26.7	\$26.7
Other revenues	\$126.8	\$124.5	\$124.5
<b>Total budgeted revenues</b>	<b>\$1,476.0</b>	<b>\$1,557.7</b>	<b>\$1,497.2</b>
<b>Expenses</b>			
Compensation	\$1,085.9	\$1,103.6	\$1,103.6
Other operating costs	\$404.7	\$444.3	\$444.3
<b>Total budgeted expenses</b>	<b>\$1,490.6</b>	<b>\$1,547.9</b>	<b>\$1,547.9</b>
<b>Gap</b>	<b>(\$14.6)</b>	<b>\$9.7</b>	<b>(\$50.7)</b>
Programmed fund balance	\$16.3	\$5.9	\$5.9
<b>Budget balance</b>	<b>\$1.7</b>	<b>\$15.6</b>	<b>(\$34.4)</b>

\*In fiscal years 2010 and 2011 approximately \$12.9 million of ARRA funds were used to mitigate tuition increases. These resources are included in tuition revenue.

At the time the 2010-2011 biennial operating budget request was being developed, the state was projecting a budget deficit of \$940 million. After consideration of the state's economic outlook, the Board approved a FY 2010-2011 biennial operating budget request of \$71.7 million (a 5.3% increase above forecast base of \$1,372.8 million). The system did not receive its request, but rather its appropriation was reduced by \$92.7 million (a 6.8% decrease). Factoring in the governor's unallotment and supplemental budget recommendation for an additional \$60.5 million reduction, the total reduction to the system in the current biennium will be \$153.2 million (11% below forecast base).

Budget discussions with the campus communities have been ongoing for a number of months and are guided by the principles noted above. Colleges and universities are facing challenging times under challenging conditions. ARRA funds are being used as a one-time bridge transition as decisions are made to reach structural balance by the end of fiscal year 2011. Campus administrators are committed to solving budgetary gaps in ways that minimize the impact on students and preserve the mission and vision of the college or university. Comprehensive processes are being utilized by colleges and universities to review academic programs using criteria such as cost, enrollment, employment needs, and mission. Institutions will need to balance, as best as they can, supporting core functions while maintaining/increasing progress towards the Board of Trustees strategic plan.

Last fall the colleges and universities were projecting a fiscal year 2010 student full-year equivalent (FYE) enrollment of 151,805 – an increase of 5.5 percent over fiscal year 2010. Revised projections for fiscal year 2010 show enrollment at 154,166 FYE, an additional increase of 2,361 FYE over fall projections and an overall increase of 7.1 percent over fiscal year 2010. The colleges are projecting overall growth of 10 percent while the universities are anticipating growth of 2.4 percent. Although tuition revenue comes with the increased enrollment above projections, there is also an increase in demand for academic offerings and student services that may result in added costs. The record enrollment increases in the current year make it extremely difficult to project the out years not knowing if the increases are an anomaly or can be expected for the next few years. The colleges and universities are projecting a modest growth of 0.8 percent in fiscal year 2011.

Tuition has a role in the budget planning process. Tuition planning parameters include the language in the Omnibus Higher Education bill that limits tuition rate increases for Minnesota resident undergraduate students to five percent as well as operating within the current tuition structure in Board policy. Board policy includes programmatic or course per credit, banded and market-driven rates. Board policy allows colleges and universities to set market-driven tuition for customized training, continuing education, distance learning, non-credit instruction, and contract post-secondary enrollment options programs. There are no tuition structural changes proposed for fiscal year 2011. The planning parameters provide for a maximum tuition rate increase for undergraduate students of \$7.15 per credit for colleges and \$9.85 per credit for universities. The colleges and universities are also operating under the current fee structure within Board policy. There are no fee structural changes at this time proposed for fiscal year 2011.

The governor's budget recommendation of \$605.5 million of state resources for fiscal year 2011 requires the system to have a candid discussion about funding priorities. With limited state resources, it is critical that funding be targeted to the highest system priorities. Discussions are occurring with the Leadership Council to identify priorities that can be either eliminated or reduced while keeping focused on moving forward the Board's strategic plan and preserving financial support for base operations.

### **Budget planning 2012-2013**

With the multi-year budget planning approach, the colleges and universities have been also modeling the budget outlook for fiscal years 2012 and 2013. Planning assumptions include the following:

- Assume governor's supplemental budget recommendation of \$594.4 million (as compared to the approved level of \$654.9 million);
- Model further reductions in state appropriation;
- Recognize inflationary cost increases at the CPI referenced in the state's economic outlook (2.1 percent for fiscal year 2012 and 1.9 percent for fiscal year 2013 - modified for local assumptions);
- No cap on tuition rate increases but an expectation of reasonableness; and
- No federal stimulus funds.

With the current forecast budget deficit for the state of Minnesota at \$5.789 billion, the system could see further reductions in state appropriation in the next biennium assuming spending reductions are part of the solution to the deficit. Colleges and universities are modeling reductions in appropriation below the governor's supplemental budget recommendation of \$594.4 million. The system represents 3.9 percent of the state's general operating budget. If half of the remaining deficit was solved through spending reductions, the impact on the system could be at least \$100 million reduction over the next biennium.

The state's economic forecast directly impacts the system's financial outlook. With spending pressures on the state budget being driven by issues of an aging population and health care services, the outlook for the system is more than likely reduced state resources. As part of the 2020 planning effort underway, financial modeling is occurring to better position the system for long-term sustainability. Various assumptions are being modeled in regard to appropriation levels, tuition rate increases, and inflationary cost increases to estimate the annual budget gap. The Board will need to determine what can be sustained with limited resources. The financial model projects that the system could be 63 percent tuition reliant by fiscal year 2015, a complete reserve of legislative intent to fund the cost of instruction at 67 percent.



### **Biennial operating budget development 2012-2013**

Every other year, as part of the state's operating budget process, the system develops a biennial operating budget request. The request for the 2012-2013 biennium is due to the governor and legislature in the fall of this year. With the state projecting a budget deficit for 2012-2013, the Chancellor will be looking for direction from the Committee regarding development of the biennial budget. Additional committee and Board discussions will be scheduled later this spring.

As the Board moves forward with a FY2012-2013 biennial operating budget request, it will wish to consider the state's economic outlook, planning estimates for the next round of labor negotiations, and the role of tuition in the request. Development of the biennial budget request will occur over the next several months with action by the Board scheduled for late fall.

### **Next steps**

The Office of the Chancellor and the colleges and universities are continuing with their multi-year budget planning process and with consultation with their campus communities. The Chancellor is continuing discussions with Leadership Council in identifying activities that could either be eliminated or funding reduced. Action on the fiscal year 2011 operating budget is scheduled for April and May 2010 meetings of the Board of Trustees. In all likelihood the action will be moved to May and June 2010 to allow for the legislature and governor to complete their work. Development of the biennial budget request will occur over the next several months.

*Date Presented to the Board: March 17, 2010*

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

**Agenda Item Summary Sheet**

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

**Agenda Item:** College and University Financial Health Indicator/Measurement Project

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 7.3, Part 1 states it is the policy of the Board of Trustees to provide sound financial administration to safeguard the resources of the State of Minnesota, the system, the colleges and universities and the constituencies they serve. Effective financial administration will facilitate monitoring and improving managerial performance and evaluating the financial effects of management decisions.

**Scheduled Presenter(s):** Judy Borgen – Associate Vice Chancellor for Budget  
Tim Stoddard, Associate Vice Chancellor Financial Reporting  
Laura M. King, Vice Chancellor – Chief Financial Officer

**Outline of Key Points/Policy Issues:** Vice Chancellor King has asked staff to work to incorporate budget and accrual measurements into the financial monitoring effort. The College and University Financial Health Indicator/Measurement Project will include focus on three areas: modified exception reporting measures; defined financial performance flags; and early warning of possible financial or control issues.

**Background Information:** The Finance Division has maintained an exception reporting process since 2004 which generates a monthly/quarterly and annual report to campus leadership. The report draws attention to areas of operational concern in the finance and business office arena. The Finance Division has also implemented an annual overall financial performance review process. The current trends and highlights process was implemented in fiscal year 2006 at colleges and universities and includes the Composite Financial Index (CFI) and other financial performance measures.

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

**INFORMATION ITEM**

**College and University Financial Health Indicator/Measurement Project**

**BACKGROUND**

Procedure 7.3.16, Financial Exception Reporting was implemented in fiscal year 2004 and includes a series of after-the-fact measures. The Finance Division has maintained an exception reporting process since 2004 which generates a monthly/quarterly and annual report to campus leadership. The report draws attention to areas of operational concern in the finance and business office arena. Board and management concern over recurring control process audit points—cash overdrafts in local accounts (including delinquent bank reconciliations), potential negative cash position within MAPS and delinquent and/or inadequate MAPS-to-MnSCU reconciliations—requires exception reporting to better flag potential problems or impose more stringent reporting requirements to monitor corrective action. The exception reporting process has effectively drawn attention to these operational areas.

The Finance Division has also implemented an annual overall financial performance review process. The current trends and highlights process was implemented in fiscal year 2006 and includes the Composite Financial Index (CFI) and other financial performance measures. Fiscal year 2009 will be the third year of trends and highlights reporting. Each college and university is asked to prepare a report of financial performance using a standardized template with agreed upon measures. The audited schools present the report as a part of the annual exit conference concerning the audited financial statements. The 24 colleges which do not undertake individually audited financial statements also prepare the trends and highlights reports. These schools meet with the vice chancellor and staff on a regional basis in groups of 3-5 colleges. The financial information is reviewed for each college at these meetings. The regional meetings have come to be known as the “Trends and Highlights” meetings.

Starting with fiscal year 2006 financial reporting, the Higher Learning Commission (HLC) implemented monitoring centered on the CFI. Five system colleges were identified in the fall of 2008, based on fiscal year 2007 data, as requiring additional financial reporting to the HLC with three of these colleges subsequently asked to provide financial recovery plans. This is the HLC’s first step in determining if a college’s ability to carry out its educational mission is at risk, which could lead to a review of accreditation status.

Vice Chancellor King has asked staff to work to incorporate budget and accrual measurements into the financial monitoring effort. Identifying measures capable of being

fine-tuned to the degree they are reliably predictive of future problems has proven to be a challenge.

## **APPROACH**

The College and University Financial Health Indicator/Measurement Project will include three areas of focus as follows:

- *Modified group of exception reporting measures and related flags* will require reporting specific to the exception. Examples include the financial performance reporting in the bullet below (e.g., primary reserves and net operating revenue) and cash balance forecasting in the event of chronic low cash or cash overdraft exceptions.
- *Defined financial performance flags* primarily but not entirely accrual accounting based, patterned on the current Higher Learning Commission program that if triggered will require expanded college and university reporting.
- *Early warning* of possible financial or control issues such that institutions at financial risk or with internal control weaknesses can develop finance and internal control remediation steps and thereby improve financial performance and key internal control processes. Examples include failure to perform timely and accurate bank reconciliations and MAPS-to-MnSCU reconciliations.

Discussions with chief finance officers and the Finance and Administration Committee of the Leadership Council have resulted in the seven proposed indicators listed below. While still in the drafting stage the Finance, Facilities and Technology committee is invited to review the proposed indicators and offer any comments before the guidelines are completed.

### **Finance Guideline and Exception Reporting “Risk Factors”**

*Shorter term measures, generally one year or less:*

1. Repair and replacement expenses over a two-year period.
2. Overdraft in a local bank account during the past fiscal year.
3. MAPS to MnSCU reconciliation and local bank account reconciliation exception reporting items triggered during the past fiscal year.
4. Forecast General Fund cash balance by month. For any college that triggers either of the following they will be asked to report revenues on a monthly basis.
  - For any college or university with a General Fund balance under an amount equal to fifteen percent (15%) of the prior June 30 General Fund total revenue.

- For any college or university with a General Fund balance equal to or greater than fifteen percent (15%) of the prior June 30 General Fund total revenue and projecting cash in any month to fall below ten percent (10%) of General Fund total revenue.

*Longer term measures, generally for more than one year:*

5. Accrual net operating revenue measure (“Income (Loss) Before Other Revenues, Expenses, Gains or Losses”) negative for 2 consecutive years.
6. Accrual primary reserve level < 1.6 month for 2 consecutive years OR year-end designated Board reserve balance represents more than 60% of total year-end general fund balance.
7. A Composite Financial Index score between 0.5 and 1.5 for 2 consecutive years or a score under 0.5 for the most recent year. This compares to HLC trigger values of between 0.0 and 1.0 for two consecutive years or a score under 0.0 for the most recent year.

The revisions to exception reporting will in large part look to marry up triggers with defined actions. That is, when a trigger is tripped there will be a defined response expected of the college or university. The response should include appropriate elements of analysis and reporting (e.g., forecasting of monthly cash position) that shine a spotlight on the potential issue (e.g., overdraft) and result in actions that prevent the issue from actually materializing (e.g., reduce or defer spending).

## **NEXT STEPS**

Additional input will be requested before the indicators are finalized. Conversations will occur with chief finance officers as to what triggers will cause what action to be taken. The indicators will be incorporated into board policy and procedure and guidelines developed to identify triggers and resulting reporting that will be necessary. The members of the board will have additional opportunities to comment in the future on this as the policy and procedure are reviewed and finalized.

*Date presented to the Board: March 17, 2010*

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

**Agenda Item Summary Sheet**

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

**Agenda Item:** Follow-up to OLA Evaluation of the System Office

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 which address the operations of the Finance and Information Technology divisions of the Office of the Chancellor.

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

**Outline of Key Points/Policy Issues:** The purpose of this report is to introduce the topic to the committee, outline preliminary action plans and timetables for the consideration of the recommendations and solicit the committee’s input before the work is undertaken.

**Background Information:** In early 2009, the chair of Minnesota State Colleges and Universities Board of Trustees and Chancellor McCormick requested the Legislative Audit Commission to authorize an evaluation of the Office of the Chancellor, including an examination of administrative functions. The study was approved and undertaken in the fall of 2009.

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

**INFORMATION ITEM**

**Follow-up to OLA Evaluation of the System Office**

**BACKGROUND**

In early 2009, the chair of Minnesota State Colleges and Universities Board of Trustees and Chancellor McCormick requested the Legislative Audit Commission to authorize an evaluation of the Office of the Chancellor, including an examination of administrative functions. The study was approved and undertaken in the fall of 2009. The report was released in February 2010 and included several recommendations which address the operations of the Finance and Information Technology divisions of the Office of the Chancellor.

The purpose of this report is to introduce the topic to the committee, outline preliminary action plans and timetables for the consideration of the recommendations and solicit the committee’s input before the work is undertaken.

There are three recommendations with substantial system wide and strategic implications and four recommendations that represent opportunities for administrative process improvements.

**System Wide and Strategic Recommendations**

**Efficiency and Effectiveness** – “There may be opportunities for administrative efficiencies through multi-campus or centralized delivery of some services.” (page 28 of the report). The Board chair has charged this committee with examining the opportunities to foster expanded use of multi-campus delivery for certain administrative services. The report included a list of possible areas for study (page 30 of the report).

**Table 2.5: Examples of Campus Administrative Services That Could be Candidates for Multi-Campus or Centralized Service Delivery**

- Employee payroll processing
- Human resources investigations (e.g., regarding harassment or equal opportunity issues)
- Campus diversity training and recruiting
- Campus financial aid administration
- Planning for emergencies and pandemics

- Software licensing
- Development of reports on students and programs that requires use of system office data
- Determination of faculty supplemental retirement eligibility
- Accounts receivable and cashier services
- Accounts payable
- Management of auxiliary services (e.g., bookstores, food service)

**Project Plan:** Leadership from the campuses and the Office of the Chancellor have already begun discussions on this topic. Several Information Technology projects are now underway that are critical to these efforts. Leadership will convene a system wide task force and begin evaluation, scoping effort, resource requirements and timetable development.

Preliminary results of the effort will be presented at the April 2010 committee meeting.

**Board Oversight** – “the Board of Trustees should exercise stronger ongoing oversight of the system office” (page 46 of the report). The Board chair has recommended that each Board committee develop recommended measures and benchmarks for the division(s) assigned to it. The Executive committee would then consolidate the recommendations into a cohesive oversight plan.

**Project Plan:** The Finance and Information Technology divisions both report to the committee at this time. The Board Chair has indicated his interest in re-establishment of the Information Technology Policy committee. Pending that change, both divisions will work with the chair to develop acceptable measures and benchmarks for the work of the division.

A preliminary framework and timetable for this effort will be presented at the April 2010 committee meeting.

**Information Technology Services** – the report raised several concerns about the work of the division (page 79-80 of the report). The issues include selection of projects, project management and tracking, user testing and training and contract management. The Chair has indicated an interest in re-establishment of the Information Technology committee of the board. Pending that action, this issue will be tracking in the Finance, Facilities and Technology Committee.

**Project plan:** Considerable work on these issues is already underway as noted in the report. Final structure and policy/process changes will be recommended by the incoming vice chancellor-chief information officer. A preliminary framework, action plan and timetable will be presented at the April 2010 committee meeting.



## **Administrative Process Improvements**

**Purchasing authority for presidents** - The report noted the need for clarification of presidential authority for certain purchase transactions and recommended changes in board procedure or other changes (page 32 of the report). Staff had been working on this issue for several months prior to the reviewers' comments.

**Action Plan;** The committee held a first reading on changes to Board Policy 5.14 at its January meeting. Upon final action at the March meeting the policy and the related revised procedure will be distributed to the colleges and universities. The procedure has had two reviews by college and university personnel. It is believed that the new procedure will clarify and expand the authority of campus personnel to authorize purchase transactions. Additional training will be provided during 2010.

**Institutional charges outside of the regular allocation process** - the report recommends that the Board receive additional information about charges made by the Chancellor's office to the colleges and universities (page 48 of the report).

**Action plan:** The annual budget materials submitted to the committee will be expanded to include a complete discussion of any charges contained in the plan.

**Oversight of professional technical contracts** - The report recommended that the Chancellor's office should improve oversight of professional technical contracts (page 80 of the report). Several recommended process changes are put forward including improvements to the contract form and implementation of a post completion review.

**Action plan:** A work group will be formed to review this issue. It is expected that recommended additions to procedure will be in place by September 1, 2010.

**Efficiencies in the management of capital projects** - The report made several recommendations for changes to the capital project management process (page 87 of the report) Observations were made about the project planning, design and construction phases of the process.

**Action plan;** Two work groups including campus leadership will be formed to review the recommendations and underlying processes. Recommendations for changes will be considered and implemented by December, 2010.

*Date Presented to the Board: March 17, 2010*