



FINANCE AND FACILITIES COMMITTEE

APRIL 19, 2011

8:00 a.m.

BOARD ROOM

WELLS FARGO PLACE

30 7TH STREET EAST

SAINT PAUL, MN

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

Committee Chair Dan McElroy calls the meeting to order.

- (1) **Minutes of March 15, 2011** (pp 1-8)
- (2) **Minutes of Joint Finance and Facilities and Human Resources Committees of March 16, 2011** (pp 9)
- (3) Finance and Facilities Update
- (4) **Proposed Amendment to Board Policy 5.9 Biennial Operating Budget Planning and Administration Including Revenue Fund (Second Reading)** (pp 10-13)
- (5) **Proposed Amendment to Board Policy 5.11 Tuition and Fees (Second Reading)** (pp 14-18)
- (6) **Minnesota State University, Mankato Lease Amendment** (pp 19-23)
- (7) Proposed Amendment to Board Policy 5.12 Tuition and Fees Due Dates, Refunds, Withdrawals and Waivers (First Reading) (pp 24-28)
- (8) Board Goal: Physical Plant and Budget Request Sizing (pp 29-54)
- (9) College and University Financial Performance (pp 55-80)

Members

Dan McElroy, Chair
Michael Vekich, Vice Chair
Duane Benson
Cheryl Dickson

Christopher Frederick
Clarence Hightower
Phil Krinkie
James Van Houten

Bolded items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MEETING MINUTES
March 15, 2011**

Finance and Facilities Committee Members Present: Dan McElroy, Chair; Trustees Duane Benson, Cheryl Dickson, Clarence Hightower, James Van Houten, and Michael Vekich

Finance and Facilities Committee Members Absent: Christopher Frederick, Phil Krinkie

Other Board Members Present: Jacob Englund, Alfredo Oliveira, David Paskach, Thomas Renier, Louise Sundin, Scott Thiss

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

The Minnesota State Colleges and Universities Finance and Facilities Policy Committee held its meeting on March 15, 2011, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair McElroy called the meeting to order at 8:35 am.

1. MINUTES OF JANUARY 18, 2011

Trustee Van Houten moved to accept the minutes of January 18, 2011. Trustee McElroy seconded the motion which carried with no dissent. Trustee Van Houten questioned when the allocation formula discussion (page 8 of the minutes) would occur. Vice Chancellor King noted that a Board study session on college and university financial performance is scheduled for April. College and university financial conditions and trends will be included in that discussion.

2. MINUTES OF JOINT FINANCE AND FACILITIES AND ACADEMIC AND STUDENT AFFAIRS COMMITTEES OF JANUARY 19, 2011

The joint minutes from January 19, 2011 were approved as published.

3. NOTES OF FINANCE AND FACILITIES 2012-2017 CAPITAL BUDGET REQUEST HEARING ON FEBRUARY 15, 2011

The hearing notes from February 15, 2011 were approved as published.

4. FINANCE AND FACILITIES UPDATE (*Information*)

Vice Chancellor King updated the committee on the three goals that had been selected as the committee goals. The physical plant size and priorities for the system bonding proposal will be discussed at the April committee meeting. A Resources for Results discussion is also scheduled for the April meeting and consequently will be included in the FY2012 Operating Budget discussion in May and June.

As part of the realignment and reorganization effort there will be discussion today about the re-branded shared services pilot “Campus Service Cooperative”. Chair McElroy asked for further discussion of this goal commenting that he would like it to encompass more than the Campus Service Cooperative. In the subsequent discussion Chair McElroy noted that he would welcome shared senior management and department head assignments in a similar manner to the cooperative.

Vice Chancellor King reported that the system and college and university templates have been posted on the Government Relations website. Appreciation was extended to the college and university presidents and their staff for their well done responses to the request for the templates. Briefings have occurred in the House and Senate. System staff was well received and the briefings provided an opportunity for good conversation and educational opportunities. The Advancement Committee will keep you apprised.

Vice Chancellor King has met with presidents in small groups at financial trends and highlights meeting in February and March. These meetings provided an opportunity to review proposed budgets and operational plans for FY2012-2013. Ms. King was confident that presidents are planning, budgeting and leading with a clear eye on the likely FY2012-2013 forecast. There is tension on campus planning around tuition assumptions. The colleges and universities have been advised that the Board’s goal was at or below 5%, if the base forecast budget request is funded, which is not expected to happen. If there are large reductions there will be upward pressure on tuition. With a reduced appropriation, tuition becomes more important in college and university budget planning. Trustee Englund suggested that a clearer articulation of the net cost of attendance would be helpful to prospective students. Chair McElroy would like clearer information about the graduate program tuition rates versus undergraduate program rates.

Trustee Benson asked about making tuition depend upon income levels. Vice Chancellor King said that had been studied and that the analysis showed that the Minnesota State Colleges and University system does not traditionally have enough high income students to offset the lower income students. Trustee Van Houten felt that programs that benefit the state should receive more support.

Vice Chancellor King advised the committee that preparations are continuing for anticipated spring flooding. The President's Emergency Management Assistance Team (PEMAT) members are being trained to respond to spring flooding and other emergencies. The team includes approximately 30 members from more than 15 institutions. At least 9 campuses expect to be impacted in some fashion with flooding as part of the spring thaw.

5. MINNESOTA STATE COLLEGE - SOUTHEAST TECHNICAL PROPERTY DISPOSITION (*Action*)

Associate Vice Chancellor Brian Yolitz sought the Board’s approval for the sale of the Minnesota State College – Southeast Technical Aviation Training Center building for \$2.25 million. A local manufacturing firm, Plasticomp, is the prospective buyer.

The Board declared the Aviation Training Center as surplus property in January 2009. In that action, the Board authorized the college to explore selling the property, and made the sale subject to final Board review and approval. It has been a long slow road to the current recommendation with multiple layers of government/regulatory involvement. President Johnson and Chief Financial Officer Mike Kroening are to be commended for their persistent pursuit of the sale. Chair McElroy commented that the sale makes good economic sense for the region.

Ordinarily, proceeds from the sale or disposition of land or improvements are appropriated to the Board for use on capital projects at the institution that was responsible for management of the land or improvement, after paying all expenses incurred in selling or disposing of the land and paying any outstanding GO bond amounts due. As of 2011, there is approximately \$300,000 of total outstanding state debt remaining on the building. As this is the Minnesota State Colleges and Universities first instance of selling property with outstanding general obligation debt, clarifying legislation was obtained for this transaction during the 2009 legislative session that allowed the college to retain the sale proceeds after paying all expenses and the remaining debt service. The authorizing legislation required the Board to use the sale proceeds for capital project(s) at the Winona campus.

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

RECOMMENDED MOTION:

The Board of Trustees approves and authorizes the sale of the Aviation Training Facility operated by Minnesota State College – Southeast Technical at the Winona Municipal Airport for \$2.25 million, and directs the Chancellor or his designee to execute all necessary documents and fulfill the processes necessary to complete the conveyance in compliance with the above terms and conditions.

6. WINONA STATE UNIVERSITY REVENUE FUND PROJECTS APPROVAL
(Action)

Associate Vice Chancellor Brian Yolitz sought the Board's approval for the use of Revenue Fund bond proceeds remaining from the 2008 bond sale to perform \$3.5 million worth of deferred maintenance work to existing Winona State University residence halls. Additionally, Winona State requests approval to use approximately \$500,000 worth of bond proceeds remaining from the 2008 sale to design and renovate a residential theme house built around a student shared interest group.

Due to a highly favorable bid environment approximately \$4,087,045 is available from the Winona State University residence hall project. According to the Master Indenture governing the sale and use of revenue bonds, bond proceeds may be used for other purposes on campus with the Board of Trustees' approval.

The funds would be used to address deferred maintenance in the currently vacant Conway and Richards residence halls during the summer of 2011. For the fall 2011 academic term students from Morey and Shepard residence halls would occupy the newly renovated Conway/Richards hall while additional renovation work would take place in those two buildings. The scope of the renovations includes work on the HVAC, plumbing, fire detection, room and lounge improvements, card access, signage and updates to furniture, fixtures and related equipment in each of the residence halls and is sorely needed to make the residence halls attractive to new and continuing students.

The university owns a suitable residential property located immediately adjacent to campus, which it would like to design and remodel into a theme house focusing on environmental sustainability. The property contains six (6) bedrooms and three (3) bathrooms. Winona State is requesting to apply \$500,000 worth of 2008 excess revenue bond funds for the purpose of designing and renovating the property. The house would be a “working lab” for students studying environmental sustainability and engineering. President Ramaley assured the trustees that the house would be part of the residential life program with a resident life assistant living on the premises. Residents could be enrolled in any university academic program.

The university has consulted with the Student Senate and Residence Housing Association regarding the proposed use of revenue bond proceeds, and the organizations support both initiatives. There is no anticipated change in residence hall rates as a result of this work.

The motion was separated into two motions for approval. The first motion included approval of the renovation of Conway, Richards, Shepard and Morey Halls. The Finance and Facilities Committee approved recommending that motion for approval by the Board with no dissent.

REVISED RECOMMENDED MOTION PART 1:

The Board of Trustees approves the use of 2008 revenue bond proceeds sale attributable to Winona State University for use in renovating Conway, Richards, Shepherd and Morey Halls.

The Finance and Facilities Committee recommended Board approval to design and redevelop an existing house into theme housing. The motion passed with Trustee Van Houten voting no.

REVISED RECOMMENDED MOTION PART 2:

The Board of Trustees approves the use of 2008 revenue bond proceeds sale attributable to Winona State University for use to redevelop an existing house into theme housing.

- 7. PROPOSED AMENDMENT TO BOARD POLICY 5.9 BIENNIAL AND OPERATING BUDGET PLANNING AND ADMINISTRATION INCLUDING REVENUE FUND (First Reading)**

Associate Vice Chancellor Judy Borgen reviewed proposed amendments to Board Policy 5.9 which provide clear direction to the Chancellor and the colleges and universities regarding the roles and responsibilities of all those involved in proposing and approving biennial budgets and annual all funds operating budgets.

Through the course of this review, the statewide student groups met with staff several times to provide input and campus constituency groups were given multiple opportunities to comment and suggest changes. The changes are routine housekeeping changes which will organize the policy language in a clearer sequential order. The proposed changes do not remove the Board's approval of the biennial budget requests. This is the first reading of the proposed policy amendment. The second reading is scheduled for April.

8. **PROPOSED AMENDMENT TO BOARD POLICY 5.11 TUITION AND FEES**
(*First Reading*)

Associate Vice Chancellor Judy Borgen noted that during the routine periodic review of all policies it was found necessary to address a lack of language governing the assessment, collection and disbursement of Revenue Fund fees. The proposed reorganization of the policy also clearly differentiates the mandatory, optional, personal property charges and service charges and Revenue Fund fees. Chair McElroy suggested that tuition categories (line 15) also be listed in the same manner as the fees are listed. Vice Chancellor King agreed this was a clearer presentation. Procedure changes are also under review to accompany the updated policy if it is approved. A new Revenue Fund Management procedure is also being drafted.

Trustee Englund commented that parking fees are unnecessary when students are taking online courses. Parking fee options and rates are determined at the campus level and local administration can waive those fees for certain groups/conditions. Trustee Oliveira noted that at St Cloud Technical and Community College a refund will be issued if requested for parking fees assigned to online courses.

This is the first reading of the proposed policy amendment. The second reading is scheduled for April.

9. **CAMPUS SERVICE COOPERATIVE** (*Information*)

Colin Dougherty, Associate Vice Chancellor for Finance, updated the Committee on the progress that has been made on Shared Services now known as the Campus Service Cooperative. The Campus Service Cooperative is an initiative that will bring efficiencies to select campus and system office activities, allowing colleges and universities to focus on their core mission – serving and educating students. The Campus Service Cooperative approach is defined as “a focus on efficient and transformational delivery of services, while preserving the distinct educational mission of each college and university.”

The objective is to implement a shared services model across the Finance, Business Office, Human Resources, and Financial Aid business areas throughout the system. Cooperative members subscribe to its services through service level agreements,

metrics reporting, and the sharing of savings through efficient execution. Mr. Dougherty was pleased to report that there are two charter members of the Cooperative, Anoka Technical College and Pine Technical College.

Operations of the Campus Service Cooperative may be completed at various sites across the System. In addition to the college and university campuses, the Campus Service Cooperative also has access to 1312 Harmon Place where process design, best practice development, and documentation meetings can be conducted. However, the Campus Service Cooperative is not bound to a single location.

The Campus Service Cooperative will initially focus on three areas, Finance (accounts receivable, accounts payable, and procurement); Human Resources (payroll, retirement processing, and workers' compensation; and Financial Aid (loan processing and direct lending). The Cooperative will leverage existing technology systems and applications and not be dependent on new technology development. The colleges and universities would see economic savings by using the Cooperative instead of hiring for open positions; they could also use the services on an interim basis if there is a temporary employee vacancy. The Cooperative provides an opportunity to transform processes and best practices including improvement measurement and controls for compliance.

Anoka Technical College's Interim President Shari Olson spoke about using the Cooperative to process payroll after down-sizing the Business Office staff at the College. She noted that the payroll processing was up and running in a few short weeks and was efficient and effective. Pine Technical College's President Robert Musgrove spoke that the College is engaging the Cooperative for multiple services and was the original pilot for payroll processing and is a pilot for direct loan processing. He noted the Cooperative provides good quality services with no extra expense to the College.

Chair McElroy congratulated the early adopters and Committee members expressed excitement at the progress the Cooperative has made. The chair also expressed interest in continuing the system wide discussion regarding opportunities for administrative and service alignment.

10. **ENTERPRISE RISK MANAGEMENT STRATEGY** (*Information*)

Brian Yolitz described the system's continuing efforts to establish a more formalized risk management strategy. The work of the staff will be directed by the Compliance Oversight Committee. The committee was established several years ago by Chancellor McCormick and charged with the establishment and oversight of the risk management program.

Like all organizations, the Minnesota State Colleges and University system manages risks in its day-to-day operations. It has been doing so since its inception. Risk management occurs at all levels of leadership and management within the system, from the front line worker in student services or the finance office through the various

departments to the presidents at each of the colleges and universities. The Chancellor and staff manage risk as part of their leadership, as do various governance and oversight groups and committees within the system. The Board of Trustees incorporates risk management in their deliberations and decision-making processes. The goal of the outlined program is to improve the structure and systematic nature of risk assessment and management at all levels of the organization.

The Compliance Committee and Risk Management Working group are looking for gaps in the system's current efforts and gauging the system's tolerance of risk. As this work evolves and advances, policy and supporting procedure documents will need to be created to document the definitions, roles, responsibilities, and procedures of the framework and systematic practices of the Enterprise Risk Management methodology. The staff will periodically report to the Board on the effort and progress. This will be a systematic process which will need to balance risk management work with available resources and rewards.

11. MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM AND STATE ECONOMIC OUTLOOK FOR FY2012-2013 *(Information)*

Judy Borgen and Karen Kedrowski joined Vice Chancellor King in discussing biennial budget planning in light of the governor's recommendation and the state's February forecast. Governor Dayton released his proposed 2012-2013 budget on February 15, 2011 which recommended a total reduction of \$170.9 million to higher education. The recommendation would result in a \$75.6 million (6 percent) cut from the forecast base Minnesota State Colleges and Universities. The February forecast is showing more than a billion dollar improvement from a \$6.2 billion budget deficit to a \$5.028 billion deficit for the 2012-2013 biennium due to modest increases in income, sales, and corporate tax. More than half of the projected increase in revenues is attributed to individual income tax (most of which is growth in capital gains), and an increase in sales tax revenue accounts for another 30 percent of the growth. The legislature recently gave higher education a budget target of a 16% reduction although they did not release how it would be distributed between Minnesota State Colleges and Universities, the University of Minnesota and the Minnesota Officer of Higher Education.

The system has been planning for the 2012-2013 biennium for the past 18 months. The Finance and Facilities Committee has been periodically updated on the budget planning framework surrounding appropriation, tuition and inflation. Appropriation planning scenarios were developed during the spring of 2010 and provide the "bookends" to appropriation reduction. Vice Chancellor King noted presidents have generally been planning on a 14-15% reduction so budget planning does not need to be greatly re-adjusted.

Colleges and universities have incorporated into their budget planning process varying tuition rate increase scenarios, keeping in the forefront the expectation of reasonableness. The impact of an average annual tuition increase of five percent for a college student would be \$224 and for a university student \$310. When factoring in

the mitigated amount the impact would be \$307 (\$224 new increase plus \$83 mitigated amount) for a college student and \$420 (\$310 new increase plus \$110 mitigated amount) for a university student. Vice Chancellor King noted it would take an 11%/annual tuition increase to replace the estimated state support reduction and cover other cost pressures. If the system plans for a 5% increase then it would cover approximately 50% of the expected gap, leaving the balance for budget cuts and service contractions. There is also some concern that the enrollment rates will soften. President Davenport commented that at Minnesota State University Mankato, every 1% of tuition represents 6 faculty positions.

Colleges and universities have also built into their budget planning assumptions “fixed” compensation cost increases, fixed cost increases include projected employer health insurance rate increases of 7.7 percent in January 2012 and another 16.2 percent in January 2013, and an increase in employer retirement rate increases for TRA. Colleges and universities have also built into their budget planning assumptions for new inflationary cost increases at the CPI (projected at 1.7 percent for fiscal year 2012 and 1.8 percent for fiscal year 2013).

The Office of the Chancellor and the colleges and universities are continuing with their multi-year budget planning process, including consultation with campus communities, and leading toward making budget reduction decisions later this spring. Colleges and universities have taken strong budget actions over the past few years and are continuing to make decisions on staff reductions and closure of academic programs and offerings. To date, 27 colleges and universities have announced position reductions (approximately 680 positions), 17 have implemented early separation programs, 14 have announced planned closure of 81 programs, and 21 have preliminary fiscal year 2012 budget plans that utilize fund balance.

Action on the fiscal year 2012 operating budget is scheduled for the May and June 2011 meetings of the Board of Trustees, at the close of the legislative session.

Chair McElroy recessed the meeting at 11:06 a.m.

Respectfully submitted,
Nancy Lamden, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
HUMAN RESOURCES COMMITTEE**

**JOINT COMMITTEE MEETING MINUTES
March 16, 2011**

Finance and Facilities Committee Members Present: Dan McElroy, Chair; Michael Vekich, Vice Chair; Duane Benson; Cheryl Dickson; Christopher Frederick; Clarence Hightower; Scott Thiss; James Van Houten

Human Resources Committee Members Present: Clarence Hightower, Chair; Thomas Renier, Vice Chair; Cheryl Dickson; David Paskach; Christine Rice

Committee Members Absent: Phil Krinkie

Other Board Members Present: Alfredo Oliveira; Louise Sundin

Leadership Council Committee Members Present: Laura King, Vice Chancellor for Finance, Lori Lamb, Vice Chancellor for Human Resources, and Kevin Kopischke, President, Alexandria Technical and Community College

The Minnesota State Colleges and Universities Finance and Facilities Committee and the Human Resources Committee held a joint meeting on Wednesday, March 16, 2011, at Wells Fargo Place, 4th Floor, Board Room, 30 Seventh Street East, in St. Paul. Chair McElroy called the meeting to order at 11:20 a.m.

1. RETIREMENT PROGRAM CONTRACT

Gary Janikowski from the Human Resources Division provided background information on the system's retirement plan program. The current contract for record-keeping services will expire on June 30, 2011. Proposals were submitted and reviewed with the assistance of Aon Hewitt Consultants, a national retirement administration consulting company. Based on their review, it was recommended that TIAA-CREF continue to serve as the single record-keeper for the system's retirement plans for the upcoming contract period, July 1, 2011, through June 30, 2016.

The Finance and Facilities Committee and the Human Resources Committee recommended that the Board of Trustees adopts the following motion:

The Board of Trustees authorizes the chancellor or his designee to negotiate and execute a contract consistent with the terms described herein.

The motions passed without dissent.

Meeting adjourned at 11:50 a.m.

Submitted by,
Vicki Schoenbeck, Recorder

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: Proposed Amendment to Board Policy 5.9 Biennial and Operating Budget Planning and Administration Including Revenue Fund (renamed Biennial and Annual Operating Budget Planning and Approval) – *Second Reading*

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: Changes to Board policies require approval by the Board of Trustees.

Scheduled Presenter(s): Laura King, Vice Chancellor and Chief Finance Officer
Judy Borgen, Associate Vice Chancellor Budget

Outline of Key Points/Policy Issues:

The proposed amendments to this board policy serve to provide stronger, clearer descriptions of the statutory powers of the Board and the subsequent responsibilities designated to the Chancellor regarding both biennial budget requests and annual operating budget approvals; eliminate language that lists specific components of the annual operating budget and moves such language to the appropriate financial administration procedures; add specific language requiring student consultation.

Background Information: As part of the Chancellor's continuous improvement initiative, Board policies and procedures are regularly reviewed and amendments are proposed as appropriate. Finance division staff began reviewing this policy in the Spring of 2010 and found that there was a need to proposed amendments to current policy language.

Through the course of this review, the statewide student groups met with staff several times to provide input, and campus constituency groups were given multiple opportunities to comment and suggest changes.

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

Second Reading

BOARD ACTION

**Proposed Amendment to Board Policy 5.9 Biennial and Operating Budget
Planning and Administration Including Revenue Fund**

BACKGROUND

As part of the Chancellor's continuous improvement initiative, Board policies and procedures are regularly reviewed and amendments are proposed as appropriate. Finance division staff began reviewing this policy in the Spring of 2010 and found that there existed a need to clarify the language contained in current policy to better delineate the roles and responsibilities described therein.

The proposed amendments to Board Policy 5.9 provide clear direction to the Chancellor and the colleges and universities regarding the roles and responsibilities of all those involved in proposing and approving biennial budgets and annual all funds operating budgets.

Through the course of this review, the statewide student groups met with staff several times to provide input, and campus constituency groups were given multiple opportunities to comment and suggest changes.

CONCLUSION

The amendments to Board Policy 5.9, Biennial and Operating Budget Planning and Administration Including Revenue Fund, suggest changes that

- Reorganize existing language to better clarify the responsibilities held by the Board of Trustees, the Chancellor and the college and university presidents regarding the biennial budget request and the annual operating budget planning and approval.
- Eliminate language that lists specific components of the annual operating budget and moves such language to the appropriate financial administration procedures.
- Add student consultation language.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the changes in Board Policy 5.9 as noted in Attachment A.

RECOMMENDED MOTION:

The Board of Trustees approves the changes in Board Policy 5.9 as noted in Attachment A.

Date Presented to the Board of Trustees: April 20, 2011

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

BOARD POLICY		5.9
Chapter 5	Administration	
Section 5.9	Biennial and Annual Operating Budget Planning and Approval Administration Including Revenue Fund	

Part 1. Policy Statement.

The Board is committed to long term stewardship of state fiscal resources. It is the policy of the Board to approve systemwide biennial budget requests and system wide annual all funds operating budget plans for colleges and universities and the Office of the Chancellor.

Part 2. Authority.

~~**Part 1. Authority.**~~ (see related documents below).

~~Minnesota Statutes § 16A.10, Budget Preparation,~~ states that by October 15 of ~~in~~ each even-numbered year, an agency must file its upcoming biennial budget request. ~~Under Minnesota Statute~~ Statutes § 136F.06, Powers and Duties, state that the Board shall set tuition and fees and adopt suitable policies for the institutions it governs. ~~Minnesota Statute § 136F.70, Tuition; Fees; Activities Funds,~~ state that the Board shall set rates of tuition and fees. the Board has plenary authority to govern the colleges and universities and to adopt suitable policies for the institutions..

~~**Part 2. Policy Statement.**~~

~~It is the policy of the Board of Trustees to periodically approve revenue and expenditure operating budget plans for all colleges and universities and the office of the chancellor. Operating budget planning includes all revenue sources.~~

Part 3. Responsibilities.

Subpart A. Biennial Budget Request

The chancellor shall develop a system wide biennial operating budget appropriation request for submission to the governor and the legislature after consultation with constituency groups.

The biennial budget request is subject to approval by the Board shall approve the biennial budget request.

Subpart B. All Funds Operating Budgets

The chancellor shall provide a financial outlook and issue guidelines for preparation of an operating budget financial outlook to be developed by each college or university.

36
37 The colleges, universities, and the ~~office~~ Office of the Chancellor ~~shall~~ will prepare
38 balanced budgets consistent with Board policies and system procedures.

39
40 The Board shall approve the system wide annual all funds operating budget.

41 ~~The Board of Trustees shall approve the biennial budget requests and system-wide~~
42 ~~allocations. The Board shall approve tuition and fees, room and board rates, and~~
43 ~~student union facility fees.~~

44
45 **Part 4. Accountability/Reporting.**

46 The chancellor is responsible for monitoring the system, ~~office~~ Office of the ~~chancellor~~
47 Chancellor and college and university budgets. The chancellor shall provide system-wide
48 budget updates for all funding sources on an exception reporting basis.

49
50 The president is responsible for monitoring the college or /university budget to ensure
51 accuracy and a balanced budget. ~~The Board of Trustees will be periodically provided~~
52 ~~system-wide budget updates for all funding sources on an exception reporting basis.~~
53 ~~These will include a breakout at the college, university and office of the chancellor level.~~

54
55 **Part 5. Student Consultation.**

56 College and university budget development is subject to student consultation
57 requirements as defined by Board Policy 2.3, Student Involvement in Decision Making.
58

59
60 **Related Documents:**

61 Current Year Budget Plan
62 Minnesota Statute § 16A.10
63 Minnesota Statute § 136F.06
64 Minnesota Statute § 136F.70

65
66 *Date of Implementation: 06/21/00,*

67
68 *Date of Adoption: 06/21/00,*

69
70 *Date and Subject of Revision:*

71 04/XX/11 – Clarifies roles and responsibilities and adds student consultation language.

72 *06/21/06 – Technical and syntax amendments made to policy.*

73 *06/18/03 - adds a new Part 1, authority, changes “system office” to “office of the*
74 *chancellor”, and provides for reporting on an exception basis in renumbered Part 4.*

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: Proposed Amendment to Board Policy 5.11 Tuition and Fees – *Second Reading*

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

Cite policy requirement, or explain why item is on the Board agenda: Changes to Board policies require approval by the Board of Trustees.

Scheduled Presenter(s): Laura M. King, Vice Chancellor and Chief Finance Officer
Judy Borgen, Associate Vice Chancellor Budget

Outline of Key Points/Policy Issues:

The proposed amendments to this board policy serve to specifically identify within policy the Board approved tuition categories; move language that defines each tuition category and subsequent approval requirements to the related system procedure 5.11.1; and add policy language governing Revenue Fund fees.

Additionally, these amendments seek to reorganize and modify existing language for clarity and to reflect common formatting conventions used throughout Board policies

Background Information: As part of the Chancellor’s continuous improvement initiative, Board policies and procedures are regularly reviewed and amendments are proposed as appropriate. Finance division staff began reviewing this policy in the Spring of 2010 and found that there was a need to propose amendments to current policy language.

Through the course of this review, the statewide student groups met with staff several times to provide input, and campus constituency groups were given multiple opportunities to comment and suggest changes.

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

Second Reading

BOARD ACTION

Proposed Amendment to Board Policy 5.11 Tuition and Fees

BACKGROUND

As part of the Chancellor's continuous improvement initiative, Board policies and procedures are regularly reviewed and amendments are proposed as appropriate. Finance division staff began reviewing this policy in the Spring of 2010 and found that there was a need to propose amendments to current policy language and to draft proposed language to govern the Revenue Fund fees.

On-going conversations with the statewide student associations and the colleges and universities identified areas of concern that existed within this policy. The need to address a lack of language governing the assessment, collection and disbursement of Revenue Fund fees was evident to all parties, and the initial focus of the conversation.

In coordination with the proposed policy amendments, the conversations have included suggested changes to the related system procedures. Pending approval of the proposed policy amendments, system procedure modifications have been disseminated to the colleges, universities and the statewide student associations for review and final commentary.

CONCLUSION

As a result of these on-going conversations, the following changes are proposed to Board Policy 5.11 Tuition and Fees:

- Reorganize and modify existing language for clarity and to reflect common formatting conventions used throughout Board policies;
- Specifically identify within policy the approved tuition categories;
- Remove Subparts A and B under Part 2, Tuition, which divide tuition into categories (Board approved and market driven);
- Craft language that defines each tuition category and subsequent approval requirements for inclusion in related system procedure 5.11.1; and
- Add policy language governing Revenue Fund fees.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the changes in Board Policy 5.11 as noted in Attachment A.

RECOMMENDED MOTION:

The Board of Trustees approves the changes in Board Policy 5.11 as noted in Attachment A.

Date Presented to the Board of Trustees: April 20, 2011

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

BOARD POLICY	5.11
Chapter 5 Administration	
Section 5.11 Tuition and Fees	

1
2 5.11 Tuition and Fees

3
4 **Part 1. Authority.**

5 Minnesota Statutes [§ 136F.06](#), Powers and Duties, [and Minnesota Statutes § 136F.70,](#)
6 [Tuition; Fees; Activities Funds provide](#) states that the board shall set tuition and fees and
7 adopt suitable policies for the ~~institutions~~ [colleges and universities](#) it governs. [All](#)
8 [colleges and universities shall charge tuition and fees consistent with Minnesota Statutes,](#)
9 [board policies, and system procedures. The Board shall approve the tuition and fee](#)
10 [structure for all colleges and universities. The chancellor or designee is authorized to](#)
11 [make any necessary technical adjustments to the tuition rates and fees. Technical](#)
12 [adjustments are defined as changes in tuition and fee rates which are deemed a correction](#)
13 [or the addition of a program rate for a new program established in the interim.](#)

14
15 **Part 2. Tuition.**

16 Tuition shall be charged by all colleges and universities. [The tuition categories are:](#)

- 17 1. [per credit](#)
18 2. [differential course and program](#)
19 3. [banded and](#)
20 4. [market driven.](#)

21
22 [Any tuition category may include resident and nonresident rates.](#) All tuition must be
23 identified separately on a tuition and fee statement.

24 **~~Subpart A. Board approved tuition~~**

25 ~~The Board of Trustees shall approve the tuition structure for all colleges and~~
26 ~~universities. All colleges and universities shall charge tuition consistent with~~
27 ~~Minnesota statutes, board policies, and system procedures. The chancellor is~~
28 ~~authorized to make any necessary technical adjustments to the tuition rates.~~

29 **~~Subpart B. Market driven tuition~~**

30 ~~Colleges and universities may set and charge market driven tuition for customized~~
31 ~~training, continuing education, distance learning, non credit instruction, and contract~~
32 ~~post secondary enrollment options programs.~~

37 **Part 3. Approval and Notice Fees.**

38 **Subpart A. Approval of Mandatory and Optional Fees.**

39 ~~Three~~ Four categories of fees shall be applied to students by Minnesota State
40 Colleges and Universities. No fee shall be charged unless authorized by the Board.

41 ~~a. Mandatory~~ 1. Mandatory fees are in statute or policy and are required to be
42 charged by all colleges and universities.

43 ~~b. Optional~~ 2. Optional fees are established by the ~~board~~ Board and adopted at
44 campus discretion.

45 ~~e. Personal~~ 3. Personal property charges and service charges are
46 established ~~authorized~~ by the Board, adopted at campus discretion, and include
47 items that are retained by the student or services that are on the student's
48 behalf.

49 4. Revenue Fund fees are established in accordance with ~~authorized by statute,~~
50 policy, or bond indenture.

51 ~~No fee shall be charged unless authorized by the board. All fees must be identified~~
52 ~~separately on a tuition and fee statement.~~

53 Subpart B. Notice required. All fees must be identified separately on a tuition and
54 fee statement. On an annual basis, colleges and universities shall publish all fees that
55 are charged to their students.

56
57 **Part 4. Fees.**

58 **Subpart A. Mandatory fees**

59 There are five mandatory fees:

60 1. Senior citizen fee in lieu of tuition

61 2. Parking fee

62 3. Late fee

63 4. Payment plan fee ~~and s~~

64 5. Statewide student association fee.

65 All colleges and universities shall charge these fees consistent with Minnesota
66 Statutes, board policies, and system procedures (see related documents below).

67 ~~The chancellor is authorized to make any necessary technical adjustments to the fee~~
68 ~~rates.~~

69 **Subpart B. Optional fees**

70 The ~~board~~ Board approves the optional fee maximums. Colleges and universities may
71 establish policies to charge fees not to exceed the maximum amount approved by the
72 ~~board~~ Board.

73 The authorized optional fees are:

74 1. Application fee

75 2. Credit for prior learning assessment fee

76 3. Student life/activity fee

77 4. Athletics fee

78 5. Health services fee

79 6. Special events fee

80 7. Residential learning community fee

81 8. Technology fee

82

Subpart C. Personal property ~~fees~~ charges and service charges.

Colleges and universities may charge students the actual cost of property and services. The ~~fee~~ charges shall be for items that become the personal property of a student and have an educational or personal value beyond the classroom or for services for or on the behalf of the students. The actual cost shall be the allowable maximum charge.

Subpart D. Revenue Fund Fees

Adequate fees shall be charged for the use of revenue fund facilities to meet the requirements of Minnesota Statutes §§135F.93 and 136F.95 and the Master Indenture of Trust. The fees must be sufficient to cover debt, operating cost and all repair and replacement costs, and reserves. ~~The Board approves revenue fund related student fees.~~

1. Revenue Fund Fees. For facilities that were constructed, renovated or acquired using revenue bonds or facilities that the Board designated as part of the revenue fund, revenue fund fees shall be charged, and include, but are not limited to:

- a. Room and board fees.
- b. Student union facilities fees.
- c. Wellness center and ~~outdoor~~ recreation fees.
- d. Parking ramp and surface lot fees.

2. Optional Revenue Fund Fees. Colleges and universities may charge optional revenue fund fees for revenue fund facilities, which shall be reported to the Board as part of the annual operating budget. On an annual basis, colleges and universities shall publish all optional fees that are charged to their students. Optional revenue fund fees include but are not limited to room or facility usage fees, service charges, and equipment charges. The president of the college or university shall have final approval on all optional fees and subsequent rates.

Part 45. Student Consultation

All tuition and fees are subject to student consultation requirements as defined by Board Policy 2.3, Student Involvement in Decision Making.

Date of Implementation: 08/15/07

Date of Adoption: 06/21/00

Date & Subject of Revisions:

04/xx/11 – Addition of language to govern Revenue Fund fee administration

08/15/07 - Amended Part 3, by adding two additional mandatory fees: late fees and payment plans fees and deleted the same two fees from the optional fees list (see July 20, 2005 Board Meeting minutes)

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: Minnesota State University, Mankato Lease Amendment

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring

Information

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

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Brian Yolitz, Associate Vice Chancellor for Facilities

Outline of Key Points/Policy Issues: The University seeks to expand its leased location at 7700 France Avenue to accommodate current and expected growth among graduate and undergraduate programs. The new square footage is located on the same floor as the current leased space. When the university adds the additional 14,728 square feet, the landlord will be consolidating the last two years of the existing lease at the rates for the new lease. The lease consolidation will reduce the gross cost per square foot from \$27.94 to \$23.44, a \$4.50 psf reduction, and includes a \$25 per sq. ft. build out allowance for the space.

Background Information: Minnesota State University Mankato entered into a lease at 7700 France Avenue in Edina on May 28, 2008 to lease 12,271 sq. ft. for classrooms and faculty office space. They are proposing to expand their leased footprint to by 14,728 sq. ft. to a total of 26,999 sq. ft. and extend the lease term.

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

Minnesota State University, Mankato Lease Amendment

Board Policy 5.14, Procurement and Contracts, requires approval by the Board of Trustees for contracts, including real property leases, with a value greater than \$3,000,000. The proposed action item is for Board approval of Minnesota State University Mankato expanding their current lease footprint at 7700 France Avenue to accommodate the demand for classrooms to serve their students. The amended lease would add an additional 14,728 rental square feet for a total of 26,999 square feet, and is valued greater than \$3,000,000.

BACKGROUND

Minnesota State University Mankato entered into a lease at 7700 France Avenue in Edina on May 28, 2008 to lease 12,271 sq. ft. for classrooms and faculty office space. The current space includes four medium size classrooms (35-40 students), 2 seminar rooms, a computer lab, and two smaller conference rooms. The summary of original lease details are contained in **Attachment A** and incorporated by reference.

7700 France Avenue serves both undergraduate and graduate students in a variety of disciplines. A sampling of undergraduate programs include: applied organizational studies, communication studies, elementary education, English - creative writing, special education, and urban studies. Graduate options include: Community health certificate and masters program, educational leadership (including the doctorate program), masters of engineering, nursing, business administration, public administration, sociology, special education, and urban studies (certificate). The majority of the current enrollment is in the graduate segment.

Currently, evening classes are already at capacity on Tuesday, Wednesday and Thursdays, which are considered “prime time” for the target market. The university predicts that they could further expand prime time offerings with additional classroom space, and expand partnerships with two year institutions. The university has been using the building’s shared conference room facilities when classes are overbooked on a given day, which is not preferred or particularly cost effective.

Located below is a snapshot of the growth at 7700 France Avenue from its start in fiscal year 2009 to present.

Students Served at 7700 France

	# of students	Credit/Hrs	FYE
2009	424	2093	93
2010	701	4674	203
2011	687	6716	258

The 2011 numbers are 10% higher than the university's original predictions for credit generation at 7700 France when the original lease was established, and the university is projecting continued upward trajectory of at least 10% per year. The 2011 numbers show improvement in FYE and credit hour production, representing an increase in classes that the students are taking at that location.

The current lease, which is scheduled to expire in 2013, would be amended to incorporate the new square footage and a new expiration date in 2016. The amended lease details are outlined on **Attachment B** attached and incorporated as part of this material.

The new square footage is located on the same floor as the current leased space. With the additional square footage, the landlord will be consolidating the last two years of the existing lease at the rates for the new lease. The consolidation will reduce the gross cost per square foot from \$27.94 to \$23.44, a \$4.50 psf reduction, and includes a \$25 per sq. ft. build out allowance for the space.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves amending the current lease at 7700 France Avenue, Edina, Minnesota, and adding approximately ~~14,128~~ **14,728** rentable square feet, consistent with the business terms as contained in **Attachment A and B**, subject to final approval of the lease terms by the Chancellor or his designee.

RECOMMENDED MOTION:

The Board of Trustees approves amending the current lease at 7700 France Avenue, Edina, Minnesota, and adding approximately ~~14,128~~ **14,728** rentable square feet, consistent with the business terms as contained in **Attachment A and B**, subject to final approval of the lease terms by the Chancellor or his designee.

Date Presented to the Board: April 20, 2011

CURRENT LEASE TERMS

Leased Premises:	12,271 rentable square feet
Term:	5 years (August 1, 2008 – July 31, 2013)
Years Left in Term:	2 years 3 months
Rent (as of April 2011):	
Annual	\$330,581
Per Month	\$ 27,548
Per sq. ft.	\$26.94 (gross rent)
Last 2 years (effective August 1, 2011)	
Year 4	\$27.94 psf
Year 5	\$28.94 psf
Rent to date:	\$954,930

PROPOSED LEASE TERMS

Adding Sq. Footage and Lease Term

Extension: 5 years (August 1, 2011 – July 31, 2016)

Total Sq. Ft: 26,999 sq. ft.

Added sq. ft. 14,728 sq. ft.

Original sq. ft. 12,271 sq. ft.

New Rent Rate (gross rate):

Year 1 \$23.44 psf (reduced from \$27.94 psf in original)

Year 2 \$23.89 psf (reduced from \$28.94 psf in original)

Year 3 \$23.00 psf

Year 4 \$23.25 psf

Year 5 \$23.50 psf

Tenant Allowance: \$25 psf to build out the added sq. ft

Average Rent: \$23.42 psf

Total Rent: \$3,161,042.92

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: Proposed Amendment to Board Policy 5.12 Tuition and Fees Due Dates, Refunds, Withdrawals and Waivers – *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: Changes to Board policies require approval by the Board of Trustees.

Scheduled Presenter(s): Laura King, Vice Chancellor and Chief Finance Officer
Colin Dougherty, Associate Vice Chancellor for Finance

Outline of Key Points/Policy Issues: The absence of a common due date structure has created confusion for students that attend classes at multiple colleges and universities. In order to align key payment related dates, there is a need to propose amendments to current policy language to ensure the adoption of a common framework for key payment due dates.

Pending approval of the proposed policy amendments, system procedure modifications will define the framework for key payment related dates.

Background Information: Single bill-single payment is a project introduced by the Students First initiative. A management team and work group has been reviewing and discussing the pertinent business practices, technology, and System policies and procedures since 2009.

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

First Reading

BOARD ACTION

**Proposed Amendment to Board Policy 5.12 Tuition and Fees Due Dates, Refunds,
Withdrawals and Waivers**

BACKGROUND

Single bill-single payment is a project introduced by the Students First initiative. A management team and work group has been reviewing and discussing the pertinent business practices, technology, and System policies and procedures since 2009.

The group, made up of student association, college, and university staff, found that the absence of a common due date structure has created confusion for students that attend classes at multiple colleges and universities. In order to align key payment related dates, there is a need to propose amendments to current policy language to ensure the adoption of a common framework for key payment due dates.

Pending approval of the proposed policy amendments, system procedure modifications that will define the framework for key payment related dates will be sent to the colleges, universities and the statewide student associations for review and final commentary.

CONCLUSION

As a result of these on-going conversations, the following changes to Board Policy 5.12 are proposed:

- Reorganize and modify existing language for clarity and to reflect common formatting conventions used throughout Board policies;
- Remove language stating System colleges or universities shall establish a due date for final payment of tuition and fees;
- Add language stating that System Colleges and Universities must follow the tuition and fees payment due date framework defined in System procedure 5.12.3.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the changes in Board Policy 5.12 as noted in Attachment A.

RECOMMENDED MOTION:

The Board of Trustees approves the changes in Board Policy 5.12 as noted in Attachment A.

Date Presented to the Board of Trustees: April 20, 2011

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

BOARD POLICY		5.12
Chapter 5	Administration	
Section 5.12	Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers	

Part 1. Authority. Minnesota Statute 136F.06, Powers and Duties, state that the Board of Trustees shall set tuition and fees and adopt suitable policies for the institutions it governs.

Part 2. Policy Statement.

Subpart A. Tuition and Fee Due Date. Colleges ~~and~~ ~~or~~ universities ~~shall~~ ~~must follow~~ ~~the tuition and fees payment due date framework as defined in procedure 5.12.3.~~ ~~establish~~ ~~a due date for final payment of tuition and fees.~~ Colleges and universities shall drop all classes for students who have not paid in full, do not have a financial aid deferral, or have not established a payment plan. Colleges and universities shall grant an extension of the payment due date for students who have filed and are awaiting properly approved financial aid from federal, state or other third-party sources.

The president or designee may grant short-term tuition and fee payment deferrals in cases where, due to exceptional circumstances, a student needs additional time to arrange third-party financing or otherwise satisfy a tuition and fee balance due. Deferrals must document the reason for and time duration of the deferral and must be signed by the president or designee.

Subpart B. Payment Plans. Colleges and universities shall provide payment plans for students, permitting them to pay their tuition and fees after the due date provided the minimum first payment amount is paid as defined in procedure 5.12.5. Colleges and universities shall assess a payment plan fee for internal payment plans to cover the costs of processing payments consistent with this policy.

Subpart C. Refunds for Dropped Classes. Students are entitled to have the opportunity to attend one class session for each registered, for-credit course, without obligation. Subject to the refund for full withdrawal provision of Subpart D, students are financially obligated for any classes dropped after the fifth business day of the term, or one business day after the first class session, whichever is later. For purposes of this policy, business days are defined as Monday through Friday (excluding posted holidays).

If a student is financially obligated for a dropped class, the student may petition the college or university to apply the amount of the tuition and/or fees for the dropped class to the cost of an added class for the current term.

36 For courses less than three weeks in length, the colleges and universities shall establish
 37 the no-obligation drop-and-refund period of no more than one business day after the
 38 first class session for each registered, for-credit course.

39
 40 **Subpart D. Refunds for Withdrawals.** Upon expiration of the no-obligation period
 41 defined in Subpart C above, colleges and universities shall refund tuition and fees for
 42 students who totally withdraw from for-credit courses in accordance with the following
 43 schedules:

44
 45 1. Fall and Spring Academic Terms

Withdrawal Period	Refund %
1st through 5th business day of term	100
6th through 10th business day of the term	75
11th through 15th business day of the term	50
16th through 20th business day of the term	25
After 20th business day	0

46
 47
 48
 49
 50
 51
 52
 53
 54 2. Summer sessions and other terms at least three weeks but less than ten weeks in length.

Withdrawal Period	Refund %
1st through 5th business day of term	100
6th through 10th business day of the term	50
after the 10th business day of the term	0

55
 56
 57
 58
 59
 60
 61 3. Class terms less than three weeks in length.

Withdrawal Period	Refund %
1st business day of term	100
2nd and 3rd business day of term	50
after the 3rd business day of term	0

62
 63
 64
 65
 66
 67
 68 **Subpart E. Waivers.**

69 The president may waive amounts due to the college or university for the following
 70 reasons:

- 71 1. Employee benefit provided by a collective bargaining agreement
- 72 2. Death of a student
- 73 3. Medical reasons
- 74 4. College error
- 75 5. Employment related condition
- 76 6. Significant personal circumstances
- 77 7. Student leader stipends
- 78 8. Course conditions (A course condition exists when the location or timing of
 79 the course results in the student not being able to use the services intended by
 80 a fee.)
- 81 9. Resident hall fees
- 82 10. Natural disasters or other situations beyond the control of the campus

83 The president may waive amounts due to the college or university for individual
84 institutional waivers as approved by the Board.

85
86 Each college or university shall define the terms under which any authorized waiver will
87 be granted. The college or university must document the reason for all waivers. The
88 college or university cannot waive the MSUSA or MSCSA student association fee.

89
90 Colleges and universities shall, in consultation with students, develop guidelines to
91 implement this policy. These guidelines must be available to students.

92
93 **Part 3. Accountability/Reporting.**

94 Colleges and universities shall maintain records on refunds, drops, withdrawals,
95 nonattendance, and waivers to ensure accountability and accurate reporting in
96 accordance with applicable procedures.

97
98 *Date of Implementation: 08/15/07*

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

100 *Date and Subject of Revision:*

101 *05/XX/11 – Amended Part 2, Subpart A requiring colleges and universities must follow*
102 *the tuition and fees payment due date framework as defined in procedure 5.12.3.*

103 *08/15/07 - Amended Part 2, Subpart B requiring colleges and universities to assess a*
104 *payment plan fee for internal payment plans to cover the costs of processing*
105 *payments*

106 *08/15/06 - Amended Part 2, Subpart A requiring colleges and universities to drop classes*
107 *for students who have not paid in full, Amended Part 2 Subpart B requiring students*
108 *to pay the minimum first payment amount for the plan to avoid drop for nonpayment*
109 *requirements (see July 20, 2005 Board Meeting minutes).*

110 *07/20/05 - Changed the title to include Tuition and Fee Due Dates. Amended Part 2,*
111 *Added Subpart A to allow presidents to grand tuition and fee deferrals in certain*
112 *circumstances. Added Subpart B requiring colleges and universities to provide*
113 *payment plans permitting students to pay tuition and fees. Amended Subpart C*
114 *obligating students financially for classes dropped after the fifth business day of the*
115 *term. Amended Subpart D changing “class day” to “business day” and defines*
116 *schedule for refunds for withdrawals. Amended Part 3 requiring colleges and*
117 *universities to maintain records on drops, nonattendance and waivers (effective*
118 *8/15/05)*

119 *Amended Part 2, Subpart A requiring colleges and universities to drop classes for*
120 *students who have not paid in full, Amended Part 2 Subpart B requiring students to*
121 *pay the minimum first payment amount for the plan to avoid drop for nonpayment*
122 *requirements (effective 8/15/06)*

123 *Amended Part 2, Subpart B requiring colleges and universities to assess a payment*
124 *plan fee for internal payment plans to cover the costs of processing payments*
125 *(effective 8/15/07)*

126 *06/18/03 – add new Part 1, Authority, rennumbers remaining parts*

127 *06/21/00 - Contains language formerly in Board policy 5.8; new language in Part 1,*
128 *Subpart C allows President to waive amounts due for individual institutional waivers;*
129 *adds new Part 2, Accountability/Reporting.*

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: Board Goal: Physical Plant and Budget Request Sizing

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

Cite policy requirement, or explain why item is on the Board agenda: This report responds to the Board of Trustees request for an analysis of the physical plant size of the Minnesota State Colleges and Universities system of college and university campuses and the capital budget associated with the facilities, infrastructure, and real estate assets.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Brian Yolitz, Associate Vice Chancellor for Facilities

Outline of Key Points/Policy Issues: The report is organized with an assessment of the System physical plant in relation to neighboring states in terms of size and population, trends in Minnesota Higher Education, and a review of the impact of on-line programs. Capital budget trends and comparisons are provided along with modeling for cost of physical plant ownership and debt forecasts. The report provides recommendations for development of the FY2012 capital budget request and further planning.

Background Information: Limited capital funding in FY2010 coupled with new and emerging capital requirements to address deferred maintenance backlog, renewal needs, and student growth has created large demand for capital investment. The state of a capital bonding bill in FY2011 is in question. Economic conditions in the design and construction sectors and in the financial markets make now one of the best times to pursue construction work.

The Board of Trustees is scheduled for a first reading of the FY2012-FY2016 Capital Budget Request in June, 2011. The second reading is also expected to be in June 2011. The Board's recommendation to the Governor is due to Minnesota Management and Budget by the end of June, 2011.

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

INFORMATION ITEM

Board Goal: Physical Plant and Capital Budget Size of System Report

BACKGROUND

This report responds to the Board of Trustees request for an analysis of the physical plant size of the Minnesota State Colleges and Universities system of college and university campuses and the capital budget associated with the facilities, infrastructure, and real estate assets. After a brief history, the report is organized with an assessment of the System physical plant in relation to neighboring states in terms of size and population, trends in Minnesota Higher Education, and a review of the impact of on-line programs. Capital budget trends and comparisons are provided along with modeling for cost of physical plant ownership and debt forecasts. Finally, recommendations for development of the FY2012 capital budget request and further planning are provided.

PHYSICAL PLANT SIZE

Current Physical Plant: In 2011, the System provides public higher education for Minnesota by operating 26.8 million square feet of owned facility space primarily located at 54 campus locations across the state. These facility assets can be broken down into two broad categories, academic space supporting programs totaling 21.7 million square feet and revenue fund sponsored facilities such as residential halls, student unions, parking, wellness centers, comprising 5.1 million square feet.

Total System facility square footage: 26.8 million
Owned academic facility square footage: 21.7 million
Owned revenue fund facility square footage: 5.1 million
Total owned acreage: 6,792
Supported student population:
FYE (FY 2010): 155,427
Head count (credit course): 276,977
Head count (total unduplicated): 433,622

Physically largest campus: St Cloud State University:
Owned academic facility square footage: 2,001,654 sq ft
Owned revenue fund facility square footage: 911,890 sq ft
Owned parking ramp: 207,000 sq ft
Owned acreage: 928 total acres (293.6 maintained and 634.4 acres in non-maintained acreage such as forest, open fields, farmland, etc)

Supported student population (FY 2010):
FYE: 15,096
Headcount (credit course): 21,939
Headcount (total unduplicated): 52,784

Physically smallest campus: Riverland Community College, Owatonna Campus
Owned academic facility square footage: 24,271 sq ft
Owned revenue fund facility square footage: 0
Owned acreage: 27.4
Supported student population (FY2010):
FYE: 278
Headcount (credit course): 438
Headcount (total unduplicated): 631

Leasing: Institutions periodically lease space on and off campus to address short-term programmatic or specialized space needs that do not require a long-term capital investment, to bridge until new owned space can be secured, to generate on campus auxiliary income or where space use is better achieved through leasing.

Some noteworthy examples of off-campus leases include:

- Minnesota State University Mankato leases office space in Edina offering classrooms and support space for their Masters of Business Administration, public affairs and related programs, supporting 258 FYE or an unduplicated headcount of 687;
- St. Cloud State University has a master lease of an apartment building and welcome center in St. Cloud to augment campus housing options, and;
- Bemidji State University's hockey program serves as the primary tenant in the Bemidji Regional Events Center.

By contrast, examples of on campus leases include:

- Workforce development centers at numerous locations, such as St. Cloud Technical College, Northland Community and Technical College, Rainy River Community College, Riverland College, and Minnesota State College Southeast Technical in Winona;
- Agricultural land to local farmers to cultivate lands (and reduce their operating costs related to maintaining such acreage);
- Leases to telecommunication providers for cellular antennas and towers;
- City of St. Paul Public library lease for public access at Metropolitan State University, and;
- An assortment of retail-style tenants at the state universities, such as Barnes & Noble bookstores, Affinity Plus Federal Credit Unions, and Subway sandwich shops.

Campuses are asked to report on leases that are valued greater than \$10,000 and last longer than one year in the accounting system's lease module. This has been the first full year of the lease module operations. Based on the FY2011 campus lease reporting in the

Integrated Statewide Record System (ISRS), there are approximately 309 active leases in the system, including 172 off-campus leases and 137 on-campus leases.

Figure 1. Current Lease Statistics

	Building Sq. Ft.	Land Sq. Ft.	# of leases
As Landlord	260,448	1,609,308	137
As Tenant	1,463,665	70,725	172

Source: Integrated Statewide Record System (ISRS) Lease Module, March 23, 2011

History: The current System physical plant size and locations reflect the merger in 1995 of three separate and distinct higher educational systems; the Minnesota State University System, the Community College System and the Vocational-Technical System.

The State University System has roots in the 1800’s with campuses at Winona, Mankato, St Cloud, and Moorhead established between 1860 and 1885. Bemidji State University was established in 1919 and Southwest Minnesota State University was opened in Marshall in 1967. Finally, Metropolitan State University was established in 1971 in St Paul.

During the period of 1911-1927, the Community College System started with 2 year campuses in Minneapolis, Hibbing, Faribault, Virginia, Ely, and Duluth. The system did not receive legislative sponsored appropriations until 1957. In 1963, the Junior College Board formed and eventually grew the network of community colleges to 21 campuses.

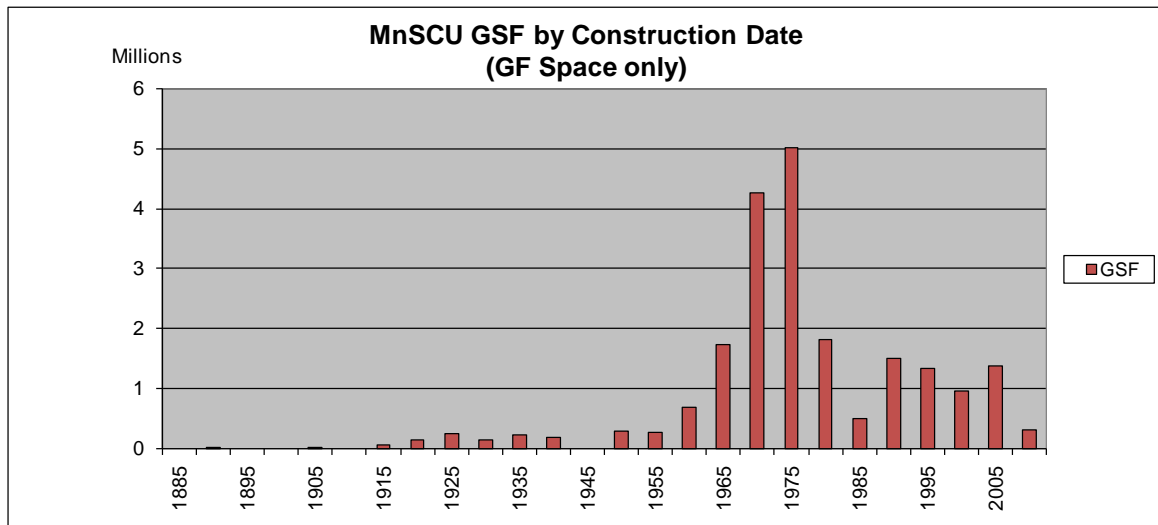
Weaving together individual institutions with early roots in Minnesota, the Vocational-Technical system took shape with campuses in St Cloud, Thief River Falls, Winona, Austin, St Paul, and Minneapolis between 1947 and 1955. The system continued to expand over time, emerging from the K-12 districts. In 1984, the Board of Vocational Education formed with oversight of 37 technical colleges.

At the time of the creation of the Minnesota State Colleges and Universities system in 1995, 58 separate institutions came under the governance of the Board of Trustees. Over time, organizational realignments led to the system having 32 institutions at 53 campuses. Legislative action in 2008 added the Owatonna Higher Education Center to Riverland Community College bringing the total number of campuses to 54.

During the last 10 years, campus master planning has focused on sustaining needed facility infrastructure, improving space flexibility and usage, and reducing, reusing and recycling space where appropriate and responsive to demonstrated growth needs. As a result, the net gain in the total System physical plant square footage was 2.3 million square feet or roughly 12%, which includes facility additions, new construction, acquisitions as well as 950,000 square feet being removed via demolition, transfer, sale or mothballing. During this same time, FYE for the system as a whole increased 36% (114,199 to 155,427).

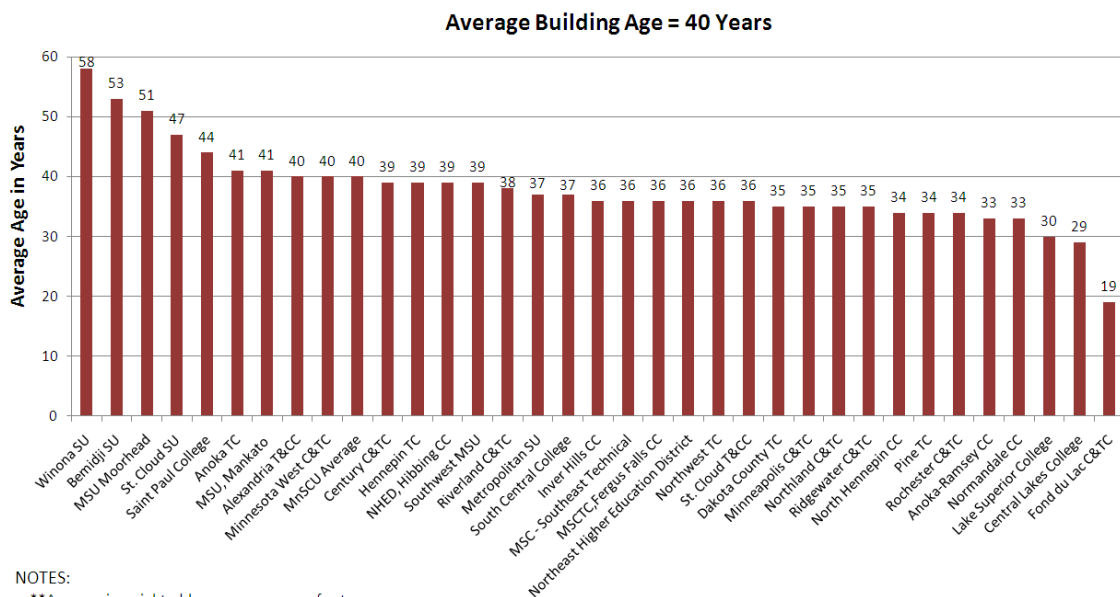
Physical Plant Age: The majority of the Minnesota State Colleges and University System facility square footage was built in response to the community college boom in the 1960's and 70's. On a square footage basis, the average age for System facility space is 40 years. Figure 2 shows the years in which new space (in million square feet) was built in the System. Figure 3 provides the average age of facility space by institution.

Figure 2. Gross Square Footage (GSF) Construction by Year



Source: January 2009 Board Presentation from Facilities Renewal Reinvestment Model (FRRM) Data

Figure 3. Average Facility Age By Institution



NOTES:

**Average is weighted by campus square footage.

Source: 2010 Facilities Renewal Reinvestment Model (FRRM) Data

Physical Plant Condition: The two most significant elements affecting the condition of a facility or building components over time are quality of initial construction and level of maintenance and repair expended to maintain components. For example, a boiler with a 30-year life expectancy may have its life extended by 10 years with excellent maintenance and timely component replacement. The same is true relative to the ongoing care, maintenance, and replacement of equipment and systems throughout an entire building structure.

In 2004, the Facilities Renewal Reinvestment Model (FRRM) was adopted as the System's benchmark in assessing facility condition and quantifying costs associated with facility ownership. FRRM was endorsed by professional organizations including APPA (formerly known as Association of Physical Plant Administrators of Universities and Colleges), National Association of College and University Building Officers (NACUBO), and Society of College and University Planning (SCUP). It is based on a simplified life cycle analysis that is informed by campus personnel reporting on their specific facility conditions. Key elements describing plant condition within FRRM include:

Current Replacement Value (CRV): Total amount in current dollars required to replace the institution's educational and general facilities to its optimal condition. It includes facilities supported by both the capital and revenue fund programs. CRV is calculated through an algorithm within FRRM based on campus level inputs detailing individual facility type, size, complexity, major systems, and repair history.

Deferred Maintenance Backlog: Defined as work that has been deferred on a planned or unplanned basis to a future budget cycle or postponed until funds become available. Typically includes expenditures for the total estimation of existing major maintenance repairs and replacements identified by a comprehensive facilities condition audit of buildings, grounds, fixed equipment, and infrastructure needs.

Facilities Condition Index (FCI): The relationship of Deferred Maintenance Backlog divided by the Current Replacement Value.

5 Year Renewal: Known future cyclical repair and replacement requirements that need to occur in the next 5 years to extend the life and retain the usable condition of facilities and systems. These costs are cyclical, based on the life expectancy of individual system component life cycles, i.e., plumbing fixtures – 25 years; HVAC equipment and controls – 30 years; fire protection systems – 40 years; interior finishes – 15 years. Those renewal requirements not addressed in the year of need, become part of the deferred backlog.

System size, CRV, Deferred Maintenance Backlog, FCI, and 5-Year Renewal history for the last 5 years are at Figure 4.

Figure 4. System Facility Size and Condition

Year	Sq ft	Current Replacement Value (CRV)	Deferred Maintenance Backlog	Facilities Condition Index (FCI)	5-year renewal
2006	25,691,484	\$5.8B	\$748M	0.13	\$411M
2007	25,939,805	\$6.3B	\$806M	0.13	\$428M
2008	26,065,365	\$6.6B	\$778M	0.12	\$478M
2009	26,672,956	\$6.9B	\$755M	0.11	\$494M
2010	26,792,758	\$6.9B	\$750M	0.11	\$461M

Source: 2010 Facilities Renewal Reinvestment Module Data

Over the last five years, System CRV has increased due to a combination of inflation, investment in repair and upgrade of existing space, and the addition of new square footage on campuses. Given a current CRV of \$6.9B and the System FYE of 155,427, each full time equivalent student is provided access to roughly \$45,000 in physical plant assets.

While the System's capital investment focus has been on maintenance and repair of existing space, investment levels have not been sufficient to draw down deferred maintenance levels. The backlog of deferred maintenance has remained relatively steady over the 5 year period. The System overall FCI has improved slightly over the same period, while the 5-year renewal needs have trended up by just over 10%, reflecting the growing number of system components and facility spaces reaching the end of their useful life.

System Comparison - Area: States have differing public higher education governance structures, program alignments, degrees, and certificates making direct one-for-one comparison difficult. The tables below provide gross comparisons between Minnesota's public higher educational systems and that of neighboring states. Tennessee is included as they have a public higher education structure with both colleges and universities, similar to the Minnesota State Colleges and Universities system.

Figure 5. State Size and Public Higher Education Campus Comparison

State	Area (sq miles)	Public Higher Education Campuses			Square Miles per Public Campuses		
		4 year	2 year	Total	4 year	2 year	All Public Higher Ed
Minnesota	79,610	13	47	60	6,124	1,694	1,327
Wisconsin	54,610	14	72	86	3,901	758	635
Iowa	55,869	3	73	76	18,623	765	735
North Dakota	68,976	4	7	11	17,244	9,854	6,271
South Dakota	75,886	7	5	12	10,841	15,177	6,324
Tennessee	41,217	10	60	70	4,122	687	589
Average	62,695	9	44	53	10,142	4,823	2,647

Source: State Higher Education Executive Officers (SHEEO) and review of state public higher education websites

Data indicate that when compared to the group average, Minnesota’s public universities and colleges (including both the MnSCU system and the University of Minnesota campuses) cover less area, or have less ‘reach’; however, they theoretically cover more area than the public higher education system campuses of Wisconsin, Iowa, or Tennessee, meaning fewer campuses per square mile. They cover a smaller portion of state geographic area when compared to North and South Dakota to the west.

If these campuses and their area of coverage were arranged in a perfect distribution of squares, with the campus located at the center of the square, the distance to any corner of that square would represent the furthest distance any state resident would have to travel in a perfect distribution of public higher education campuses.

For the public universities in Minnesota, this distance would be approximately 58 miles; for a 2-year program at a community or technical college it would be 29 miles; and for a public higher education campus, the hypothetical distance would be 26 miles. Figure 6 shows the hypothetical distances for Minnesota’s neighboring states and Tennessee.

Figure 6. Hypothetical Distance to Public Higher Education Campuses

State	Square Corner Distance (Miles)		
	4 year	2 year	All Public Higher Ed
Minnesota	55	29	26
Wisconsin	44	19	18
Iowa	96	20	19
North Dakota	93	70	56
South Dakota	74	87	56
Tennessee	45	19	17
Average	68	41	32

In this rough analysis, Minnesotans have a shorter than average travel distance to gain access to the physical space of a public higher education institutions as compared to the overall average of the group. The commutes are shorter than that for the population of the Dakotas, but longer than those of Wisconsin, Iowa, and Tennessee. Geographic coverage however, is only a part of the comparison.

System Comparison - Population: Public higher education is intended to serve the citizens the state. Figure 7 provides an assessment of the number of residents serviced by public higher education campuses.

Figure 7. State Population and Public Higher Education Campuses

State	Population (2009)	Public Higher Education Campuses*			Residents supported per Public Higher Education Campus					
		4 year	2 year	Total	4 year		2 year		All Public Higher Ed	
Minnesota	5,220,000	13	47	60	401,538	8%	111,064	2%	87,000	2%
Wisconsin	5,628,000	14	72	86	402,000	7%	78,167	1%	65,442	1%
Iowa	3,003,000	3	73	76	1,001,000	33%	41,137	1%	39,513	1%
North Dakota	641,000	4	7	11	160,250	25%	91,571	14%	58,273	9%
South Dakota	804,000	7	5	12	114,857	14%	160,800	20%	67,000	8%
Tennessee	6,215,000	10	60	70	621,500	10%	103,583	2%	88,786	1%
Average	3,585,167	9	44	53	450,191	13%	97,720	3%	67,669	2%

Source: State Higher Education Executive Officers (SHEEO) and review of state public higher education websites

As a percentage, Minnesota public higher education campuses support the state's population on par with Wisconsin, Iowa and Tennessee. Having substantially smaller population numbers, the public higher education campuses of North and South Dakota service a larger percent of their state's residents.

Minnesota Higher Education Enrollment Trends: The Minnesota Office of Higher Education (MOHE) tracks higher education enrollment within the state using credit only headcount from fall terms. In their *Basic Data Series 2009*, published in July 2010, they report total enrollment at public and private institutions in post secondary education rose by 23% from 2005 to 2009. Of that total growth of nearly 85,000 students, private institutions made up 66% of the total growth. Private Career Schools Online (Capella University, Walden University) growth, which includes a substantial amount on non-Minnesotan students (70,460 of their 72,712 enrollees, or 97%, are non-Minnesotan), accounted for two-thirds of the private sector enrollment growth and 43% of the total state enrollment growth.

Figure 8. Minnesota Postsecondary Education Enrollment Data

	Enrollment 2005	Enrollment 2009	Change Total Percent	
University of Minnesota	65,489	67,364	1,875	2.9%
MnSCU State Universities	63,654	68,582	4,928	7.7%
MnSCU Community and Technical Colleges	112,111	134,224	22,113	19.7%
Total Public Institutions	241,254	270,170	28,916	12.0%
Private Colleges & Universities	63,015	66,530	3,515	5.6%
Private Graduate & Professional	4,129	3,092	-1,037	-25.1%
Private Career Schools	20,380	37,033	16,653	81.7%
Private Career Schools Online	36,062	72,712	36,650	101.6%
Total Private Institutions	123,586	179,367	55,781	45.1%
Total Minnesota Institutions	364,840	449,537	84,697	23.2%

Source: *Basic Data Series 2009*, Minnesota Office of Higher Education, July 2010
<http://www.ohe.state.mn.us/pdf/enrollment/basicdata/basicData2009.pdf>

The University of Minnesota experienced 2.9% growth over the 5 year period with an enrollment increase of 1,875, which was 6% of the public growth and only 2% of the total state post secondary education growth.

In terms of the total higher education market, Minnesota State Colleges and Universities share shrunk between 2005 and 2009, from 48.2% to 45.1%. However, when the Private Career Schools Online are removed from the assessment due to the vast majority of their students being non-Minnesotan, the System's share of the total higher education market actually grew slightly from 53.5% to 53.8%.

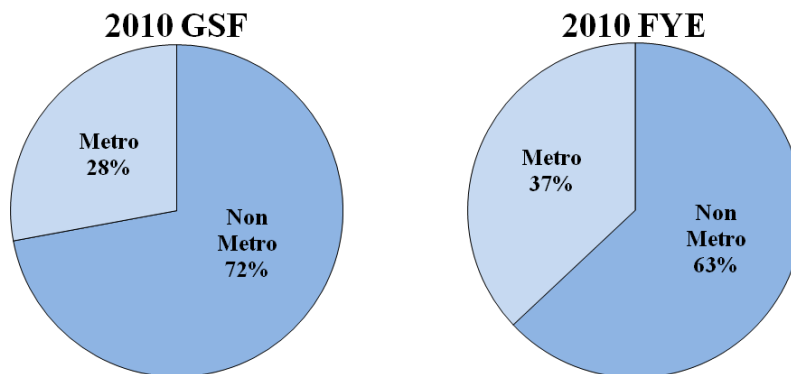
Looking towards the future, *Help Wanted: Projections for Jobs and Education Requirement through 2018*, published in June 2010 by Georgetown University’s Center on Education and the Workforce, states that “70% of all jobs in Minnesota (2.1 million) will require some postsecondary training beyond high school in 2018.” This reflects the addition of 152,000 jobs or 7%, from the study’s 2008 baseline, in jobs requiring some postsecondary training beyond high school. The forecast places Minnesota 7% above the national average for percentage of jobs requiring postsecondary training and third overall in terms of postsecondary education intensity behind North Dakota and the District of Columbia. While not all training for these jobs should be expected to come direct from Minnesota State Colleges and Universities institutions or programs, it does reflect an expected growing demand for postsecondary education within Minnesota.

Minnesota State Colleges and Universities System Enrollment Trends: In the MOHE report, Minnesota State Colleges and Universities system institution enrollment grew by 15.4%, just over 27,000 between 2005 and 2009, accounting for 94% of the public sector growth and 32% of the state’s total post secondary education growth.

More broadly, Minnesota State Colleges and Universities system institutions are servicing a larger portion of the state population. Between 2000 and 2010, U.S. Census Bureau data show the state’s population grew by 384,000 people or roughly 7.8% with nearly 75% of the growth occurring in the Twin Cities metro area.

During the same period, System FYE grew 36%, or by 41,228 to a total FYE of 155,427. System FYE as a percentage of total state population grew from 2.3% to 2.9%. FYE grew more than 60% at the 11 metro area System institutions, accounting for just over 50% of the System’s total FYE growth. Metro area institutions now represent 37% of total System FYE while accounting for 28% of the physical space.

Figure 9. Minnesota State Colleges and Universities Gross Square Footage (GSF) and Full-Time Equivalent (FYE) Metro and Non-Metro Comparison



Source: Office of the Chancellor Facilities Planning Division

For-Credit Academic Space Utilization: Nationally recognized standards for higher education academic space utilization consider use of 30 to 33 hours a week as “100% utilization” for academic spaces which includes class rooms and laboratory spaces. This

reflects that 1 to 4 hours are spent on academic work outside of the classroom in independent and group study, research, lab time, and seminars.

There are recognized shortfalls with the system's data management systems associated with tracking facility utilization. Currently data is gleaned from for-credit registration to track room use. It does not account for on-line/on-campus use, customized training, other institution use of academic space (i.e., 4 year classes delivered on a 2 year campus), K-12, or other uses. Office of the Chancellor and campus representatives are working to solve this and have initiated a request for proposals to update or replace the scheduling software with a goal of fielding the system in 2012.

The current data does provide general insight into for-credit utilization of academic space throughout the System.

- Overall System for-credit space utilization for Fall 2010 averaged 73%
 - University for-credit space utilization was 82% on average
 - College for-credit space utilization was 72% on average
- Metro area campus for-credit space utilization for Fall 2010 was approximately 90%, while average non-metro space utilizations was 74%
- Campuses with the highest reported for-credit space utilization are North Hennepin Community College, Normandale Community College, Minnesota State Community and Technical College – Moorhead, Century College, and Minnesota State University, Mankato with utilization over 100% on the 32 hour standard.
- Campuses with the lowest reported for-credit space utilization are Minnesota West Community and Technical College at Canby, Granite Falls, and Worthington and Central Lakes College at Staples with utilization around 50% on the 32 hour standard.

Many factors influence the for-credit class offerings and ultimately space utilization. They include student demographics, full time students versus working/night-time students, faculty, facility configuration, regional weather and transportation networks impact some non-metro campuses.

While not fully encompassing measures, the data coupled with known shortfalls, provide insights into relative space utilization and are used as input to master plans, pre-designs, capital budgeting and review, prioritization, and real estate lease planning.

On-Line Learning And Physical Plant: On-line courses have increased substantially over the past several years. Figure 10, Full-Time Equivalent - FYE – On Campus and On-Line, shows that while on-line FYE has grown rapidly, particularly in the last 2 years, there has not been a trade-off or reduction in on-campus FYE. In fact, on-campus FYE has grown over time.

Figure 10. Full-Time Equivalent - FYE – On Campus and On-Line



Source: <http://www.its.mnscu.edu/reportanddataservices/managementreports/distancereports.php>

There are many factors influencing the impact on-line course work has on campus physical plant needs. Students use online courses to augment their on-campus curriculum, very few use it as a means to reduce or eliminate going to campus. Most students take online classes for the convenience and flexibility in scheduling. In fact, 76% of all students taking online courses are also on-campus students.

An on-line course doesn't mean "not on campus," 24% of all on-line courses are hybrid, but many of those not officially noted as hybrid classes still have a need for students and faculty need to meet personally, in face-to-face sessions during certain times of the semester as part of the course work. These courses push up the number of on-line courses, while also placing a demand on campus physical plant, although not for large portions of the semester's schedule. The current space utilization data does not completely capture this classroom use. The goal is to capture this data in the future scheduling and data management tools.

Finally, many students, including those taking strictly on-line courses, are physically on campus doing their on-line class work. These students take advantage of the robust technology infrastructure on campus which is faster, more reliable, and more affordable internet access than they may have at home. These students are in campus student unions, open labs, and library spaces. This phenomenon exerts pressure for more on-campus space, such as learning resource centers, technology services, computer labs, and group study areas.

System Physical Plant and Facilities Observations:

- Minnesota’s public higher education system is not over built in terms of the number of campuses when compared to states with similar geographic and population density numbers.
- Campus numbers are a key element in access to higher education. In terms of geography and population, Minnesota’s higher education system covers a greater area and each campus services a larger portion of the state’s population in comparison to Wisconsin, Iowa and Tennessee.
- Minnesota State Colleges and University facilities and systems are growing older, requiring additional renewal and upgrade.
- The demand for higher education in Minnesota is forecast to grow in the future.
- Minnesota State Colleges and Universities is critical to meeting that growth, capturing the vast majority of the historical enrollment growth. The majority of the expected future growth is also in the metropolitan area.
- While FYE serviced by on-line education is growing, it is not reducing the demand for physical on-campus space.

CAPITAL BUDGET

Background: The Board of Trustees, as stewards of the System’s real estate and physical plant assets, is charged with the responsibility to operate, maintain and update existing campus space to meet the effective and efficient delivery of higher education; construct new space where program needs warrant; and reduce where space is no longer effective or needed.

In meeting these responsibilities, the Board has put in place procedures to generate, review, assess, and prioritize capital requirements for recommended funding as part of the state’s capital budget program. The capital requests are made up of two elements, higher education asset preservation and replacement (HEAPR) and line-item capital projects. Figure 11 provides a history of the Systems request and actual funding for capital projects.

Figure 11. Minnesota State Colleges and Universities Capital Budget Program History

\$ in millions	1998	2000	2002/03	2004/5	2006	2007	2008	2009	2010
Total Capital Requested	\$214.4	\$230.0	\$268.4	\$292.6	\$280.4	\$33.8	\$350.2	\$117.1	\$396.8
HEAPR	\$91.0	\$100.0	\$100.0	\$100.0	\$110.0	\$30.0	\$110.0	\$50.0	\$110.0
Capital Projects	\$123.4	\$130.0	\$168.4	\$192.6	\$170.4	\$3.8	\$240.2	\$67.1	\$286.8
Total Enacted	\$143.1	\$131.1	\$218.6	\$213.6	\$191.4	\$0.0	\$234.2	\$40.0	\$106.2
HEAPR Enacted	\$43.0	\$30.0	\$60.0	\$41.5	\$40.0	\$0.0	\$55.0	\$40.0	\$52.0
Capital Projects	\$100.1	\$101.1	\$158.6	\$172.1	\$151.4	\$0.0	\$179.2	\$0.0	\$54.2

Source: Office of the Chancellor Facilities Planning

Over the last 7 biennia, the Board has recommended a capital budget request averaging \$312 million/per biennium made up of \$114 million in HEAPR and \$198 million in capital projects.

Combined action by the legislative and executive branches has provided approximately \$182 million per biennium, or 59% of the System request. On average, HEAPR has been funded at \$52 million per biennium or 45% and capital projects have been funded at roughly two-thirds of the request or \$131 million per biennium.

During this period, capital projects have impacted nearly 5 million square feet of facility space. Slightly more than 3 million square feet, or just over 60% of the facility space impacted has been renovation work. (This does not include renovation work done with HEAPR funds.) Finally, just under 2 million square feet, or slightly less than 40% of the impacted facility space has been new construction.

Capital Investment Comparisons: Data for direct comparison of capital investments is scarce. The College Plan and Management publication, Volume 14, Issue 2, February 2011, pulls data from all states and all public and private higher education systems. They report figures regionally, with Minnesota, Wisconsin and Illinois making up Region 7. In 2005, Region 7 was ranked 4th of the 12 regions in overall expenditures, with Minnesota State Colleges and Universities capital investments accounting for 19% of the region's total. In 2010, the region was ranked 7th in overall expenditures, with System capital investments shrinking to 14% of the total.

Nationally, trends have been towards new construction. In 2004, 80% of the reported \$13.7 billion investment in capital investment programs nationally was directed towards construction of new foot print. In 2010, 76% of capital investment programs nationally was directed towards construction of new foot print. Compared to national averages, the System is much more focused on renovating existing facility spaces with renovation being approximately 60% of the work and new construction being 40%.

Capital Budget Planning – FRRM and Sources: Budget planning begins with output from FRRM. Figure 4 indicates a 5-year renewal requirement of \$461 million which means that the System needs to invest \$92.2 million annually or \$184.4 million in a biennium to “keep up.” Investments are also needed to “catch up” by addressing the \$750 million deferred maintenance needs. It is unrealistic to expect to address the entire backlog in requirements all at once; however it is prudent to set a goal to reduce this backlog by 50% over the next 10 years. The Board has endorsed this strategy in past capital budget cycles. To reduce the backlog to roughly \$375 million by 2022, the System needs to commit \$37.5 million annually or \$75 million in a biennium towards deferred maintenance. Therefore, to ‘keep up’ and ‘catch up,’ meaning to reduce the maintenance backlog by 50%, the System needs approximately \$259 million per biennium to address current physical plant needs. Capital investment to address program growth would be additive to this planning figure.

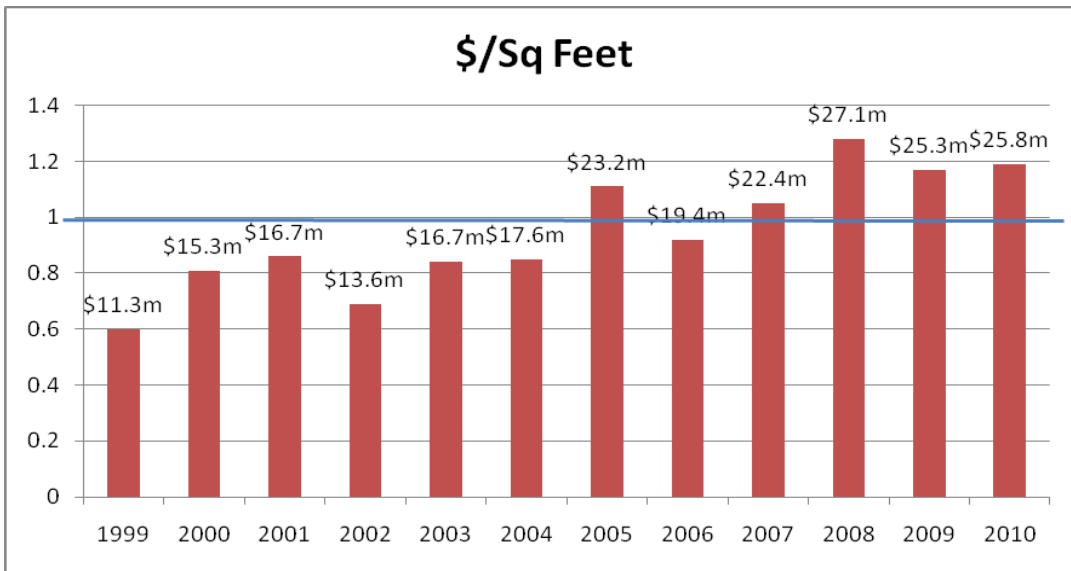
Applying a fixed percentage of the current replacement value is another model for scoping facility investment needs. The fixed percentage varies by facility type and use. At one time, the Society for College and University Planning (SCUP) recommended 1.5% to 2.5% of CRV. With the System CRV of \$6.9 billion, it would require between \$103.5 million and \$172.5 million annually or between \$207 million and \$345.0 million in a biennium for facility needs.

Others apply straight-line depreciation over the useful life of the plant to generate a very rough planning figure for facilities needs. Assuming the useful live for facilities and internal systems range between 40 and 60 years yields annual facility needs of \$115 million and \$172.5 million or \$230 million and \$345 million over a biennium.

Each of the above approaches yields a similar conclusion. The system should be investing at the rate of \$250 million to \$350 million each biennium in order to preserve and maintain the physical assets.

Capital Investment Funding From Campuses: There are three principal funding sources for facilities work, HEAPR and line-item capital projects in the capital bonding request and operational funds in general appropriations. Campuses must invest local funds for smaller repair and replacement needs to maintain their physical plant. In 2004, the goal of locally investing \$1 per square foot of academic space was adopted. Since then there has been consistent improvement in the amount of operational dollars spent by campuses. In 2010, \$25.8 million was spent by campuses for repair and replacement, averaging \$1.19 per square foot for academic spaces.

Figure 12. Campus Facility Investments Trends



Source: Office of the Chancellor Facilities Planning

Capital Budget Planning Factor - Debt Capacity: Beginning in 1991, the Minnesota State Colleges and Universities was required by session law to pay one-third of the debt service for capital projects funded by state general obligation bonds. Only the University of Minnesota and the Minnesota State Colleges and Universities have this requirement within the state bonding process. The State of Minnesota pays the balance.

In 1996, the Board determined that one-half of this debt service (one-sixth the project cost) would be passed on to the individual institutions receiving the benefit of the capital appropriation with the remaining one-half of the debt service (one-sixth the project cost) being absorbed by the System. Thus, the one-third debt service is internally funded using primarily general fund appropriations and tuition revenues. HEAPR projects do not incur debt for the system or campuses.

After consultation with state debt guidelines, the System adopted the conservative standard of 3% of operating revenue as the ceiling for debt service at both the institution and System levels. This standard was chosen as a modest and limiting impact on operating budgets, and parallels the state's historic guideline.

In December of 2009, Minnesota Department of Management and Budget changed their approach to debt with the publication of "*Capital Investment Guidelines.*" Their intent was to align the guidelines with the measures used by credit rating agencies and to allow for better comparison with other states. The new State of Minnesota capital investment guidelines are:

1. Total tax-supported principal outstanding shall be 3.25 percent or less of total state personal income.
2. Total amount of principal (both issued and authorized but unissued) for state general obligations, state moral obligations, equipment capital leases, and real estate capital leases are not to exceed 6 percent of state personal income.
3. Forty percent of general obligation debt shall be due within five years and 70 percent within 10 years, if consistent with the useful life of the financed assets and/or market conditions.

These guidelines are applied at the state level by MMB and the legislature. Guidelines 2 and 3 are outside the System's control since MMB structures and manages all general obligation debt, including that for System projects. Guideline number 1 above is not easily translated into the System's environment since state personal income doesn't directly relate to our revenue basis.

In our debt modeling, the current System standard of 3% is tested over the 20-year life of the bonds. The model is conservative. On the debt side, it incorporates current debt and assumed new debt service on \$250 million in capital projects in year 2012 with capital projects increasing by \$10 million in each biennium thereafter. As a note, in the last ten years, the most the System has received in capital projects is \$179 million, this occurred 2008. On the revenue side, the model has in the past, assumed a 1% growth in revenue in 2012 and 2013 and a conservative 3% growth for FY2014 and beyond.

For this report, more conservative revenue growth options were examined; specifically a flat-line assumption with zero-growth in revenue over the period and an alternative modeling 1% growth in FY2012 and 2013 and thereafter. With all other variables remaining the same, annual debt service to the System peaked at \$81.1 million with debt-to-revenue ratios of 5.34% for the zero-growth model and 4.12% in the 1% model.

Testing the 1% model with varied initial FY2012 capital project programs ranging from \$150 million to \$200 million and increasing them by \$10 million in each biennium drove System annual debt service peaks to \$55.8 million and \$68.7 million respectively. Similarly, the maximum debt-to-revenue ratios shrank to 2.84% and 3.49%

Finally, in an attempt to replicate conditions faced today 1) large volume of candidate capital projects from legislative and executive actions in FY2010 (\$287.6 million) and 2) the favorably construction and bonding environment. A model with a one-time \$250 million capital project load was introduced in FY2012, then capital project totals were returned to \$150 million in FY2014, with \$10 million increases per biennium after that. In this scenario, System annual debt service peaked at \$53.3 million with a debt-to-revenue ratio of 2.71.

Figure 13. Annual Debt Service and Debt-to-Revenue Results

Modeled Annual Revenue Growth	FY2012 Capital Project Budget	FY 2014 Capital Project Budget, growing \$10M per Biennium	System Peak Annual Debt Service	Peak Debt-to-Revenue Ratio
0%	\$250M	\$260M	\$81.1M	5.34% (2037)
1%	\$250M	\$260M	\$81.1M	4.12% (2037)
1%	\$150M	\$160M	\$55.8M	2.84% (2037)
1%	\$200M	\$210M	\$68.7M	3.49% (2037)
0%	\$250M	\$150M	\$53.3M	3.51% (2037)
1%	\$250M	\$150M	\$53.3M	2.71% (2037)

Source: Office of the Chancellor Finance and Facilities Modeling Tool

Currently, individual college and universities' average debt-to-revenue ratios range from 0.06% to 1.32%. Only six colleges are above 1.0%; all universities are below 1.0%. For FY2012-2017 capital budget planning, each campus must confirm their ability to pay the debt obligation.

Capital Budget Observations:

- The System has historically received substantially less than it requested for capital requirements, 40% less overall, more than 50% in HEAPR and 33% less in capital projects
- The System requires on the order of \$250-\$350 million in a biennium to address current physical plant needs to 'keep up' and 'catch up' and preserve the value of the physical assets.
- Addressing System growth is additive to the \$250 million figure.

- The System has put greater priority on renovation over new construction when compared the national averages.
- Emphasis of campus investment and setting a goal of \$1.00 per square foot has had a positive impact and should be continued.
- Based on very conservative modeling, the System has the debt capacity to handle a capital project request of between \$150 million and \$250 million in 2012 and \$150/biennium thereafter. This would be in addition to a HEAPR requirement of \$110 million, producing a total capital budget request of \$260 million to \$360 million.
- There is flexibility to meet current capital needs with smaller future capital requests.

RECOMMENDATIONS FOR FY2012 CAPITAL PLANNING

Limited capital funding in FY2010 coupled with new and emerging capital requirements to address deferred maintenance backlog, renewal needs, and student growth has created large demand for capital investment. The likelihood of a capital bonding bill in FY2011 is in question. Economic conditions in the design and construction sectors and in the financial markets make now one of the best times to pursue construction work. The following proposal is under consideration in the event there is not a FY2011 bonding bill. The Chancellor's proposal would change if pending MnSCU projects are authorized yet this legislative session.

The Chancellor is considering the proposal of a FY2012-2016 capital budget request that:

- Totals on the order of \$350 million in capital requirements
 - \$110 million for HEAPR
 - \$240 million for capital projects
- Following FY2012 Guidelines, priority would be given to work that best addresses:
 - Deferred maintenance and renewal of existing spaces;
 - Better utilization of existing facilities to meet academic and workforce needs through space realignment, reconfiguration, and demolition
 - Supports new footprint meeting demonstrated need for:
 - Science space, and
 - Student population growth, particularly in the metro area.

Staff is interested in feedback from the committee concerning the above planning parameters. There are strong analytical, capacity and demand arguments for the strategy suggested above. Based upon the committee's direction, staff will return to the Board in June with a final FY2012-FY2016 program recommendation. The Board's recommendation to the Governor is due to MMB by the end of June, 2011.

Date Presented to the Board of Trustees: April 20, 2011

Public Institutional Names and Campuses

Minnesota: 13 state universities and 25 two-year community and technical colleges resulting in 60 campuses

Minnesota State Colleges and Universities -

Alexandria Technical College, Alexandria

Anoka Technical College, Anoka

Anoka-Ramsey Community College, Coon Rapids, Cambridge

Bemidji State University, Northwest Technical College Bemidji

Central Lakes College, Brainerd, Staples

Century College, White Bear Lake

Dakota County Technical College, Rosemount

Fond du Lac Tribal and Community College, Cloquet

Hennepin Technical College, Eden Prairie, Brooklyn Park

Inver Hills Community College, Inver Grove Heights

Lake Superior College, Duluth

Metropolitan State University, St. Paul

Minneapolis Community and Technical College, Minneapolis

Minnesota State College - Southeast Technical, Red Wing, Winona

Minnesota State Community and Technical College, Detroit Lakes, Fergus Falls, Moorhead, Wadena

Minnesota State University Moorhead, Moorhead

Minnesota State University, Mankato

Minnesota West Community and Technical College, Canby, Granite Falls, Jackson, Pipestone, Worthington

Normandale Community College, Bloomington

North Hennepin Community College, Brooklyn Park

Northeast Higher Education District, Vermilion Community College, Ely

Northeast Higher Education District, Mesabi Range Community and Technical College, Eveleth and Virginia

Northeast Higher Education District, Itasca Community College, Grand Rapids

Northeast Higher Education District, Hibbing Community College, Hibbing

Northeast Higher Education District, Rainy River Community College, International Falls

Northland Community and Technical College, East Grand Forks and Thief River Falls

Pine Technical College, Pine City

Ridgewater College, Hutchinson, Willmar

Riverland Community College, Albert Lea, Austin, Owatonna

Rochester Community and Technical College, Rochester

Saint Paul College, St. Paul

South Central College, Faribault, North Mankato

Southwest Minnesota State University, Marshall

St. Cloud State University, St. Cloud

St. Cloud Technical College, St. Cloud

Winona State University, Winona

University of Minnesota (extension sites not included in overall count)

Minneapolis Campus

St Paul Campus

Duluth Campus

Morris Campus

Crookston Campus

Rochester Campus

Wisconsin: 14 state universities, 13 community colleges and 16 district technical colleges resulting in 86 campuses

UW Madison (extension sites not included in overall count)

UW Superior

UW Parkside

UW Plateville

UW Oshkosh

UW River Falls

UW Green Bay

UW La Crosse

UW Stevens Point

UW Stout

UW Milwaukee

UW Whitewater

UW Eau Claire

UW Extension site

UW Central

Barron County Community College

Marathon County Community College

Mariette Community College

Marshfield/Wood County Community College

Richland Community College

Baraboo/Sauk County Community College

Fond du Lac Community College

Fox Valley Community College

Manitowoc Community College

Sheboygan Community College

Washington County Community College

Waukesha Community College

Rock County Community College

Chippewa Valley , Eau Claire, West Gateway ,Chippewa Falls , Menomonie, River Falls

Western , La Crosse, Masuton, Independence, Viroqua, Tomah, Sparta, Black Forest Falls

Southwest WI, Fennimore

Madison Area, Truax, Downtown, Tech Center, Watertown, Fort Atkinson, Reedsburg, Portage

Blackhawk, Janesville, Transportation Center, Monroe, BTC- Airport

Gateway, Kenosha, Transportation Center, Racine, Elkhorn, Sturtevant

Waukesha Co, Pewaukee, Waukesha

Milwaukee Area, Downtown, West Allis, Mequon, Oak Creek, Aviation Center

Moraine Park, Fond du La, Beaver Dam, West Bend

Lakeshore, Cleveland

Fox Valley, Appleton, Oshkosh, Aviation Center

Northeast WI, Green Bay, Marinette, Sturgeon Bay

Mid-State, WI Rapids, Stevens Point, Marshfield

North Central, Wausau, Antigo

Nicolet Area, Rhinelander, Minocqua

WI Indianhead, Ashland, New Richmond, Rice Lake, Shell Lake, Superior

Iowa: 3 state universities and 15 two-year institutions resulting in 76 campuses

University of Iowa

University of Northern Iowa

Iowa State University

Northeast Iowa Community Colleges Calmar Campus, Peosta Campus, Chickasaw County Center

Cresco Center

Dubuque Center for Education, Town Clock Center for Professional Development

Regional Academy of Math and Science (RAMS) Oelwein Center, Waukon Center

North Iowa Area Community College, Main Campus

Iowa Lakes Community College, Algona Campus, Emmetsburg Campus. Estherville Campus, Spencer Campus, Spirit Lake Campus

Northwest Iowa Community College, Main Campus

Iowa Central Community College, Main Campus

Iowa Valley Community College District Ellsworth Community College, Marshalltown Community College, Iowa Valley Grinnell

Hawkeye Community College, Cedar Falls Center, Hawkeye Technology Access Center, Independence Center, Main Campus, Martin Luther King Jr. Center, Metro Center, Waverly Outreach Center, Western Outreach Center

Eastern Iowa Community College District, Clinton Community College, Muscatine Community College, Scott Community College

Kirkwood Community College Main Campus, Iowa City Campus, Marion Center, Benton County Center, Cedar County Center, Iowa County Center, Lincoln Center, Jones Regional Education Center, Resource Center, Tippie-Mansfield Center, Washington County Center

Des Moines Area Community College, Ankeny Campus, Boone Campus, Carroll Campus, Newton Campus, Urban/Des Moines Campus, West Des Moines Campus, DMACC Career Academy, Hunziker Center, Harding Hills, Iowa Building, Success Center, Transportation Institute

Western Iowa Tech Community College, Main Campus, Cherokee Campus, Denison Campus, Le Mars Learning Center, Mapleton Learning Center, Sioux City Learning Center

Iowa Western Community College, Council Bluffs Campus, Clarinda Campus, Cass County Campus, Page/Fremont County Campus, Shelby County Center

Southwestern Community College, Main Campus, Red Oak Center, Osceola Center

Indian Hills Community College, Ottumwa Campus, Centerville Campus, North Campus, County Service Centers, Community Education Center

Southeastern Community College, Keokuk Campus, West Burlington Campus

Tennessee: 10 state universities and 13 two-year colleges resulting in 70 campuses

Austin Peay State University

East Tennessee State University

Middle Tennessee State University

Tennessee State University

Tennessee Technological University

University of Memphis

University of Tennessee, Chattanooga

University of Tennessee, Health Science Center

University of Tennessee, Knoxville

University of Tennessee, Martin

Chattanooga State Community College, Main Campus, Dayton Site, Eastgate Town Center, Kimball Site, Sequatchie/Bledsoe Site, East Campus

Cleveland State Community College, Main Campus, Athens Site, Vonore Site

Colombia State Community College, Main Campus, Williamson County Campus, Lawrence County Campus, Lewisberg Campus, Clifton Campus

Dyersburg State Community College, Main Campus, Gibson County Center, Jimmy Naifeh Center

Jackson State Community College, Main Campus, Savannah-Hardin County Center, Lexington-Henderson County Center, Humboldt Higher Education Center

Motlow State Community College, Main Campus, Fayetteville Center, McMinnville Center, Smyrna Teaching Site

Nashville State Community College, Main Campus, Cookeville, Humphreys County, Southeast Center, Dickson

Northeast State Community College, Main Campus, Elizabethton, Gray, Kingsport

Pellissippi State Community College, Main Campus, Blount County Campus, Division Street Campus, Magnolia Avenue Campus

Roane State Community College, Main Campus, Oak Ridge, Campbell County, Cumberland County, Fentress County, Knox County, Loudon County, Morgan County, Scott County

Southwest Tennessee Community College, Fayette Site, Gill Center, Macon Cove Campus, Maxine A. Smith Center, Millington Center, Union Avenue Campus, Whitehaven Center

Volunteer State Community College, Gallatin Campus, Livingston Campus

Walters State Community College, Morristown Campus, Greeneville Campus, Sevierville Campus, Tazewell Campus

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: April 19, 2011

Agenda Item: College and University Financial Performance

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

Cite policy requirement, or explain why item is on the Board agenda: The purpose of this Board report is to present to the Finance committee of the Board of Trustees additional information for the 36 individual colleges and universities based on data from the 2010 financial statements.

Scheduled Presenter(s): Laura M. King, Vice Chancellor - Chief Financial Officer
Colin Dougherty, Associate Vice Chancellor for Finance

Outline of Key Points/Policy Issues: The Minnesota State Colleges and Universities System maintained a relatively strong financial position in fiscal year 2010. The majority of the 36 colleges and universities also maintained strong financial position in fiscal year 2010.

This report shows several financial measurements for all 36 colleges and universities such as the composite financial index, and its four components, operating margins and net asset changes in fiscal year 2010 compared to fiscal year 2009.

The colleges and universities face anticipated state appropriation reductions coupled with pressure to limit tuition increases which will likely lead to significant budget challenges in future fiscal years. Collective bargaining agreements and anticipated increases in insurance premiums will also add to the challenges that colleges and universities will need to address to maintain strong financial management.

The leadership teams will continue to maintain their focus on aggressively managing costs to deliver efficient and effective services to our students

Background Information: The 2010 financial statements were presented to the Audit Committee in November 2010. Further information on the financial health of the system was presented to the Finance and Facilities Committee in January 2011.

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

INFORMATION ITEM
College and University Financial Performance

BACKGROUND

The purpose of this Board report is to present to the Finance committee of the Board of Trustees additional information for the 36 individual colleges and universities based on data from the 2010 financial statements. This report separates the Northeast Higher Education District into the five individual colleges that make up this district. This information was prepared by the Finance division of the Office of the Chancellor for a special study session in response to a request at the January 2011 Board of Trustees Finance Committee meeting.

AUDIT RESULTS

The system wide audit, revenue fund audit, and the thirteen individual college and university audits, received unqualified opinion letters from the respective audit firms. In addition, there were no reported material weaknesses or significant deficiencies in internal control. LarsonAllen remarked this is a notable accomplishment. The opinion letters provide the Board and other users of the financial statements with assurance that the information is accurate and reliable in all material respects.

Substantial progress was also reported on the two prior year significant internal control deficiencies: both deficiencies have been addressed and resolved. These prior year issues were related to system-wide technology data security and the timely reconciliation of local bank accounts for several colleges. A “significant deficiency” is an internal control deficiency or combination of deficiencies that based on auditor judgment may have more than a remote likelihood of failing to prevent or detect a misstatement that is more than inconsequential to the financial statements. It is a commendable achievement that no significant deficiencies were identified throughout the fiscal year 2010 audit process.

All audited financial reports may be viewed on the system’s website at:
<http://www.finance.mnscu.edu/accounting/financialstatements/index.html>

INFORMATION

Summary of Financial Results - Consolidated level

Fiscal year 2010 operating results yielded significant improvement in financial position at June 30, 2010, with a \$57.1 million net operating revenue surplus, after rebounding from a prior year net operating revenue loss of \$9.3 million.

- Net assets increased \$179.6 million or 11.6 percent; this increase was due to fiscal year 2010 capital asset investments, along with the strong net income for the year.
 - Individual colleges and universities varied for this measurement as the following information shows, comparing 2010 to 2009. Attachment A illustrates the change in net assets between fiscal years 2010 and 2009.
 - Top 25% institutions had between 20-35 percent increases
 - Second 25% had between 13-18 percent increases
 - Third 25% had between 9-13 percent increases
 - Bottom 25% had between (4) -8 percent (decrease) or increases
 - Hibbing Community College is the only college with a decrease in net assets resulting in a negative return on net assets ratio as well.
- Income before other revenues, expenses, gains or losses, also termed “net operating revenue”, increased from a negative \$9.3 million in fiscal year 2009 to a surplus of \$57.1 million in fiscal year 2010. Net operating revenue surplus is the net of \$1,859.6 million of operating and non-operating revenues less \$1,802.5 million of operating and non-operating expenses. Additional information on this measurement for the colleges and universities is found later in this report. .
- Capital appropriation revenue of \$119.8 million plus other capital asset related revenue, combined with \$57.1 million net operating revenue surplus and generated a change in net assets of \$179.6 million, a significant increase from the \$106.8 million change in net assets generated in fiscal year 2009.
- The Composite Financial Index (CFI) for the Consolidated Financial Statements was 2.89 for fiscal year 2010. Details for each college and university CFI calculations are included in Attachment B1, along with the four components of the CFI, found in Attachments B2-B5.

Measuring, Monitoring and Improving Financial Health: Composite Financial Index (CFI) and Financial Health and Compliance Indicators

What is CFI?

The Composite Financial Index calculation uses four financial ratios and assigns a specific weighting to each factor in computing a single, composite measure of financial health. The CFI methodology is contained within the *Strategic Financial Analysis for Higher Education* (Seventh Addition), jointly developed and sponsored by the firms of Prager, Sealy & Co., LLC, KPMG LLP and BearingPoint, Inc. This CFI calculation methodology is also used by the Higher Learning Commission as a gauge of member institutions’ financial health. Without detailing the actual calculation methodology, financial ratio values are converted into strength factors which in turn are weighted to allow summing of the four components into a single, composite value.

The *primary reserve ratio* and *viability ratio* are measures of financial condition based on expendable net assets found on the Statement of Net Assets with each weighted 35 percent in the composite calculation. The *net operating revenues ratio* and *return on net assets ratio* are measures of financial performance based on results contained within the statements of revenues, expenses, and changes in net assets and are weighted 10 percent and 20 percent, respectively.

Institutions may have differing values across the four component ratios but still have equivalent overall financial health as indicated by similar composite scores. This approach allows easy comparisons of relative financial health across different institutions. Looking at the composite scores, *Strategic Financial Analysis for Higher Education* suggests a composite value of 1.0 is equivalent to very little financial health, in the for-profit world it could perhaps be viewed as a “going-concern” threshold value, while a composite value of 3.0 is considered to signify relatively strong financial health, an organization with moderate capacity to deal with adversity or invest in innovation and opportunity. CFI scores greater than 3.0 represent increasingly stronger financial health.

Is CFI new to the System?

The System started using CFI as an internal measure of financial health about six years ago. The CFI is also now a part of the Accountability Dashboard overseen by the Board of Trustees. The CFI is included in the system procedure, “Financial Health and Compliance Indicators”, as a key metric for monitoring financial performance of each college and university. Colleges and universities incorporate CFI and other measures as deemed pertinent, including non-financial information, to prepare an annual “Financial Trends and Highlights” presentation. Audited colleges and universities present this annual assessment to the Vice Chancellor, CFO, as part of the external audit exit meeting. Colleges not subject to external audit, present the same assessment at one of several meetings with the Vice Chancellor, CFO, where college leadership for 3 – 5 colleges plus system office finance personnel meet using a round-table discussion format. These have proven to be good learning and sharing opportunities.

November’s Audit Committee meeting included a high-level discussion of CFI, and the System’s Annual Financial Report for the Years Ended June 30, 2010 and 2009 included much of the CFI information that follows within the FY2009 and FY2010 Management Discussion and Analysis.

Summary ratios for FY2010 and FY2009

The system-wide financial ratios and other measures presented below are generally consistent with prior years’ presentations except that the 2010 numbers reflect a recent change to lower the cap on all ratios from -1 to -4 along with a change in the strength denominator for the net operating revenue ratio. The change was promulgated by the Higher Learning Commission. All System ratios are computed using financial data taken from the accrual financial statements. *Note: Higher values are deemed better for all*

ratios presented. The *Supplement to the Annual Financial Report* may be examined to view individual college and university financial statements.

(<http://www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/index.html>)

The fiscal year 2010 System consolidated CFI of 2.89 improved from the fiscal year 2009 CFI of 1.87. The following table provides reference benchmarks for individual components of the CFI for achieving a total CFI score of 3.0, a sign of good financial position but with additional room for improvement.

	<u>Weight</u>	<u>Benchmark</u>	<u>MnSCU</u>
Primary Reserve – <i>resource availability</i>	35%	1.05	0.66
Viability – <i>debt coverage</i>	35%	1.05	0.83
Net Operating Revenue – <i>surplus or deficit</i>	10%	0.30	0.24
Return on Net Assets – <i>asset stewardship</i>	<u>20%</u>	<u>0.60</u>	<u>1.16</u>
Composite Financial Index (CFI)	100%	3.00	2.89

Ratio Variability across Colleges and Universities

There is considerable variability in individual CFI financial ratio values across the 36 colleges and universities. The following tables, calculated without foundation financial data, highlight the broad range in the results:

	<u>High</u>	<u>Low</u>	<u>Median</u>
Primary Reserve – <i>resource availability</i>	1.24	0.03	0.49
Viability – <i>debt coverage</i>	3.50	0.11	0.81
Net Operating Revenue – <i>surplus or deficit</i>	0.64	(0.40)	0.23
Return on Net Assets – <i>asset stewardship</i>	<u>2.00</u>	<u>(0.44)</u>	<u>1.30</u>
Composite Financial Index (CFI)	6.53	.52	2.83

Midpoints	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
Primary Reserve	0.18	0.41	0.60	.97
Viability	0.36	0.71	1.08	2.48
Net Operating Revenue	(0.18)	0.13	0.29	0.50
Return on Net Assets	<u>0.17</u>	<u>1.09</u>	<u>1.56</u>	<u>2.00</u>
Composite Financial Index (CFI)	.53	2.34	3.53	5.95

Summary of Financial Results - Individual Colleges and Universities Level

Many of the System's colleges and universities experienced strong performance with the top two quadrants having CFI around 3 to as high as 6.5. Three colleges had a CFI below 1.

- Hibbing Community College
- Fond du Lac Tribal and Community College
- Alexandria Technical College.

All three of these colleges had a CFI above one in the prior fiscal year, which is something the Higher Learning Commission takes into consideration. It is also important to remember that when reporting to the Higher Learning Commission, that colleges can include their foundation information as well often increasing their CFI number.

Negative unrestricted net assets generally indicate a college or university has experienced ongoing operating deficits. All three of the colleges with negative unrestricted net assets from fiscal 2008 or 2009 had positive unrestricted net assets in 2010.

In fiscal year 2010, seven of the system's 36 colleges and universities generated negative net operating revenues using a generally accepted accounting principles measurement; this compares to 17 and 23 colleges and universities in fiscal year 2009 and 2008. Of the seven colleges and universities with negative net operating revenue in fiscal year 2010, all seven colleges and universities also had negative net operating revenue in fiscal years 2009 and 2008. Ongoing operating deficits negatively impact the ability of these institutions to maintain normal operations under adverse economic circumstances and to implement new strategic initiatives. The seven colleges and universities with negative operating margins were:

- Rochester Community & Technical College
- Southwest Minnesota State University
- Hibbing Community College
- Central Lakes College
- Ridgewater College
- Alexandria Technical & Community College
- Vermilion Community College

A three year trend for several key components is illustrated below. Overall, the financial performance of the colleges and universities when measured individually improved.

	<u>FY2010</u>		<u>FY2009</u>		<u>FY2008</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
Net operating revenue loss*	7	19%	18	50%	23	64%
Negative unrestricted net assets	0	0%	1	3%	2	6%
Board reserves below 3%	1	3%	2	6%	2	6%

* As shown in financial statements on line titled “Income (loss) before other revenues, expenses, gains, or losses.” Attachment C shows the Net Operating Margin for each college and university for fiscal year 2010.

Reasons for the variability

There are several reasons for the variability, including;

- including increases or decreases in enrollment,
- changes in grant activity,
- new award or completion of capital projects,
- a planned spending of fund balances reacting to investment opportunities or student needs.
- Sometimes unforeseen or unplanned events occur as well such as asbestos removal.

Observation has also proven that often a college or university may be strong in one area but weak in another area, such as their revenue fund or auxiliary activity as compared to their general operating activity.

It is important to keep in mind these measures are based on full accrual financial statements which includes depreciation and other long term obligations such as compensated absences, whereas on a budgetary or cash basis, a college or university may appear in good health. Generally more of the rural colleges have shown operating losses compared to the metro area colleges and universities, in part due to less robust enrollment growth or smaller capital projects. However, the System we have strong colleges and universities in each of the state’s four geographic quadrants.

Budgetary fund balance and reserves

Overall, the System’s total year end fund balance grew from 17% of new general fund revenue in fiscal year 2009 to 21% of new general fund revenue in fiscal year 2010. All colleges and universities increased year end general fund balance between fiscal year 2009 and fiscal year 2010. This growth could be attributed to enrollment increases,

expenditure reductions, and/or use of ARRA federal stimulus funds to offset state appropriation reductions.

Individual colleges' general fund reserves from a budgetary perspective remained strong in fiscal year 2010, with a majority showing increases from prior years. Almost 50 percent of the colleges had seven percent in their general fund reserve, with all colleges having five percent. The universities had between two-six percent in their general fund reserve. From a system wide perspective the general fund reserve represents 6 percent of new revenue in fiscal year 2010 compared to 5 percent in fiscal year 2009 and 2008.

Financial Health and Compliance Indicators

There are additional financial metrics which are used to measure, monitor, and improve the financial condition of each college and university. A new system procedure, "Financial Health and Compliance Indicators" defines the purpose and process for performing important, on-going analysis of financial condition. This procedure has been developed, approved and becomes fully effective July1, 2011.

Short term factors include the following

- Repair replacement expenditures per square foot (3 year moving average) of at least \$1.00 per square foot.
- Overdraft in a local bank account during the fiscal year.
- MnSCU to MAPS (SWIFT) reconciliation (including adjustments).
- Timely and complete bank reconciliation (including adjustments).

Long term factors include the following

- Negative accrual based net operating revenue ("Income (Loss) Before Other Revenues, Expenses, Gains or Losses").
- Low accrual primary reserve level.
- Low Composite Financial Index (CFI) score

The procedure also includes required action if certain performance levels are not achieved. It is a proactive approach allowing management at the Office of the Chancellor and at the institutions to stay ahead of the curve so corrective actions can be implemented earlier. The consequences require additional effort from the college and university with an incentive to keep the institutions above the triggers. The required action plans require some additional analysis and forecasting which will add benefits as well.

For the facility factor, a remediation plan will be required which identifies the specific steps that will be taken to move the college or university above the trigger level. A projected cash flow, with comparisons to actual, will be required for the other short term factors. A financial recovery plan will be required for those colleges or universities having low CFI or negative operating margin. The recovery plan will include specific steps that will be taken and expectations as to how these steps will improve the college or university financial health above the trigger level.

Based on data through fiscal year 2010, ten colleges or universities would have been required to do financial recovery plans (about 28%), twelve would have been required to do cash flow statements (about 33%) and twenty would have been required to do a facilities remediation plan (about 56%). This procedure intentionally set the triggers high so management can be proactive and respond quickly.

The Chancellor includes information concerning financial management and legal compliance in the annual performance review process for each president. Presidents are held accountable and activity is monitored in order to assure continued compliance.

CONCLUSION

The Minnesota State Colleges and Universities System maintained a relatively strong financial position in fiscal year 2010, as measured by the \$57.1 million net operating revenue surplus and the \$179.6 million increase in net assets, despite a \$48.2 million reduction in state appropriation funding. The consolidated net operating revenue improved dramatically from a negative \$9.3 million in fiscal year 2009 to a positive \$57.1 million in fiscal year 2010. The majority of the 36 colleges and universities also maintained strong financial position in fiscal year 2010.

The colleges and universities face anticipated state appropriation reductions coupled with pressure to limit tuition increases which will likely lead to significant budget challenges in future fiscal years. Collective bargaining agreements and anticipated increases in insurance premiums will also add to the challenges that colleges and universities will need to address to maintain strong financial management.

Past performance reflects the strong financial management exercised both by the system and the colleges and universities leadership teams as well as the continued strong investment in capital assets. The System and the college and university leadership teams will continue to maintain their focus on short and mid-term strategic and financial planning and aggressive cost management to deliver efficient and effective services to our students.

Date Presented to the Board of Trustees: April 20, 2011

FY2010 and FY2009 Total Net Assets Plus Percentage Change

Total Net Assets

Colleges and Universities	FY10	FY09	% Change
Rainy River Community College	\$ 3,262,000	\$ 2,410,000	35%
Mesabi Range Community & Technical College	8,498,000	6,401,000	33%
Pine Technical College	6,626,000	5,079,000	30%
Century College	54,160,000	43,296,000	25%
Vermilion Community College	5,832,000	4,658,000	25%
Metropolitan State University	57,947,000	46,234,000	25%
South Central College	12,701,000	10,354,000	23%
Minnesota West Community & Technical College	14,894,000	12,078,000	23%
Hennepin Technical College	29,472,000	24,489,000	20%
Riverland Community College	17,957,000	15,214,000	18%
Minnesota State University Moorhead	89,088,000	76,371,000	17%
Inver Hills Community College	40,442,000	34,876,000	16%
Minnesota State Community & Technical College	32,370,000	27,894,000	16%
Anoka-Ramsey Community College	48,165,000	42,044,000	15%
Ridgewater College	28,901,000	25,057,000	15%
Normandale Community College	54,236,000	47,473,000	14%
Dakota County Technical College	32,107,000	28,386,000	13%
Minnesota State University, Mankato	187,101,000	165,206,000	13%
North Hennepin Community College	46,556,000	41,221,000	13%
Saint Paul College	46,127,000	40,952,000	13%
Lake Superior College	31,172,000	27,721,000	12%
Anoka Technical College	20,833,000	18,808,000	11%
St. Cloud State University	163,661,000	147,905,000	11%
Minnesota State College - Southeast Technical	14,822,000	13,331,000	11%
Southwest Minnesota State University	65,823,000	59,589,000	10%
Bemidji State University	66,110,000	60,775,000	9%
Winona State University	150,606,000	137,594,000	9%
Itasca Community College	8,332,000	7,733,000	8%
Northland Community & Technical College	31,675,000	29,474,000	7%
St. Cloud Technical & Community College	42,575,000	39,607,000	7%
Alexandria Technical & Community College	24,559,000	23,423,000	5%
Minneapolis Community & Technical College	94,074,000	89,259,000	5%
Rochester Community & Technical College	66,870,000	64,458,000	4%
Fond du Lac Tribal & Community College	21,781,000	21,231,000	3%
Central Lakes College	30,988,000	30,092,000	3%
Hibbing Community College	20,051,000	20,969,000	-4%
System Total	\$ 1,723,766,000	\$ 1,544,125,000	12%

FY2010 Total Composite Financial Index (CFI)**Composite Financial Index**

Colleges and Universities	Composite
Rainy River Community College	6.53
Hennepin Technical College	6.41
Dakota County Technical College	5.57
South Central College	5.55
North Hennepin Community College	5.21
Minnesota West Community & Technical College	4.33
Inver Hills Community College	4.27
St. Cloud Technical & Community College	4.21
Century College	3.99
Anoka Technical College	3.94
Metropolitan State University	3.92
Ridgewater College	3.85
Normandale Community College	3.84
Minnesota State University Moorhead	3.41
Anoka-Ramsey Community College	3.24
Mesabi Range Community & Technical College	3.21
Saint Paul College	3.12
Minnesota State Community & Technical College	3.10
Riverland Community College	2.99
Pine Technical College	2.91
Minnesota State University, Mankato	2.89
St. Cloud State University	2.44
Bemidji State University & NTC - Bemidji	2.41
Winona State University	2.39
Minnesota State College - Southeast Technical	2.33
Minneapolis Community & Technical College	2.31
Lake Superior College	1.98
Itasca Community College	1.78
Northland Community & Technical College	1.76
Vermilion Community College	1.74
Southwest Minnesota State University	1.40
Rochester Community & Technical College	1.31
Central Lakes College	1.14
Alexandria Technical & Community College	0.99
Fond du Lac Tribal & Community College	0.93
Hibbing Community College	0.52
System Total	2.89

FY2010 CFI -Primary Reserve

Primary Reserve

		Midpoint
Weight Factor	35%	
St. Cloud Technical & Community College	1.24	
North Hennepin Community College	1.04	
Normandale Community College	1.02	
Inver Hills Community College	1.00	
Anoka Technical College	0.94	
Dakota County Technical College	0.91	
Minneapolis Community & Technical College	0.82	
Minnesota State University Moorhead	0.75	
Metropolitan State University	0.71	0.97
Winona State University	0.70	
Minnesota State University, Mankato	0.69	
Saint Paul College	0.66	
Hennepin Technical College	0.63	
Century College	0.63	
Bemidji State University & NTC - Bemidji	0.60	
Ridgewater College	0.58	
South Central College	0.51	
Hibbing Community College	0.50	0.60
St. Cloud State University	0.48	
Rainy River Community College	0.47	
Minnesota West Community & Technical College	0.43	
Anoka-Ramsey Community College	0.42	
Minnesota State Community & Technical College	0.39	
Central Lakes College	0.37	
Rochester Community & Technical College	0.36	
Fond du Lac Tribal & Community College	0.35	
Southwest Minnesota State University	0.35	0.41
Itasca Community College	0.34	
Minnesota State College - Southeast Technical	0.34	
Northland Community & Technical College	0.34	
Riverland Community College	0.31	
Mesabi Range Community & Technical College	0.29	
Alexandria Technical & Community College	0.28	
Pine Technical College	0.16	
Lake Superior College	0.12	
Vermilion Community College	0.03	0.18
System Total	0.66	

FY2010 CFI -Viability

		Midpoint
Weight Factor	35%	
Hennepin Technical College	3.50	
Rainy River Community College	3.50	
Dakota County Technical College	3.10	
South Central College	2.67	
North Hennepin Community College	2.24	
Ridgewater College	1.85	
St. Cloud Technical & Community College	1.78	
Anoka Technical College	1.70	
Minnesota West Community & Technical College	1.46	2.48
Inver Hills Community College	1.33	
Anoka-Ramsey Community College	0.98	
Rochester Community & Technical College	0.96	
Minnesota State Community & Technical College	0.95	
Metropolitan State University	0.94	
Century College	0.87	
Saint Paul College	0.87	
Hibbing Community College	0.86	
Riverland Community College	0.83	1.08
Mesabi Range Community & Technical College	0.79	
Normandale Community College	0.79	
Minneapolis Community & Technical College	0.76	
Bemidji State University & NTC - Bemidji	0.74	
Pine Technical College	0.72	
St. Cloud State University	0.71	
Minnesota State University Moorhead	0.69	
Minnesota State College - Southeast Technical	0.63	
Northland Community & Technical College	0.63	0.71
Central Lakes College	0.62	
Minnesota State University, Mankato	0.54	
Itasca Community College	0.52	
Winona State University	0.44	
Alexandria Technical & Community College	0.39	
Fond du Lac Tribal & Community College	0.28	
Lake Superior College	0.26	
Southwest Minnesota State University	0.23	
Vermilion Community College	0.11	0.36
System Total	0.83	

FY2010 CFI -Net Operating Revenue

Net Operating Revenue

		Midpoint
Weight Factor	10%	
North Hennepin Community College	0.64	
Normandale Community College	0.60	
Rainy River Community College	0.55	
Century College	0.48	
Minnesota West Community & Technical College	0.44	
St. Cloud Technical & Community College	0.44	
Anoka-Ramsey Community College	0.39	
South Central College	0.38	
Lake Superior College	0.36	0.50
Inver Hills Community College	0.34	
Minnesota State University, Mankato	0.33	
Saint Paul College	0.32	
Minnesota State University Moorhead	0.31	
Winona State University	0.31	
Hennepin Technical College	0.29	
Metropolitan State University	0.28	
Dakota County Technical College	0.25	
Minnesota State College - Southeast Technical	0.24	0.29
Anoka Technical College	0.22	
Bemidji State University & NTC - Bemidji	0.19	
Minneapolis Community & Technical College	0.19	
St. Cloud State University	0.19	
Itasca Community College	0.15	
Minnesota State Community & Technical College	0.15	
Mesabi Range Community & Technical College	0.13	
Riverland Community College	0.06	
Fond du Lac Tribal & Community College	0.05	0.13
Northland Community & Technical College	0.04	
Pine Technical College	0.04	
Ridgewater College	(0.11)	
Central Lakes College	(0.15)	
Alexandria Technical & Community College	(0.16)	
Southwest Minnesota State University	(0.22)	
Rochester Community & Technical College	(0.39)	
Hibbing Community College	(0.40)	
Vermilion Community College	(0.40)	(0.18)
System Total	0.24	

FY2010 CFI -Return on Net Assets

Return on Net Assets

		Midpoint
Weight Factor	20%	
Century College	2.00	
Hennepin Technical College	2.00	
Metropolitan State University	2.00	
Mesabi Range Community & Technical College	2.00	
Minnesota West Community & Technical College	2.00	
Pine Technical College	2.00	
Rainy River Community College	2.00	
South Central College	2.00	
Vermilion Community College	2.00	2.00
Riverland Community College	1.80	
Minnesota State University Moorhead	1.67	
Inver Hills Community College	1.60	
Minnesota State Community & Technical College	1.60	
Ridgewater College	1.53	
Anoka-Ramsey Community College	1.46	
Normandale Community College	1.42	
Minnesota State University, Mankato	1.33	
Dakota County Technical College	1.31	1.56
North Hennepin Community College	1.29	
Saint Paul College	1.26	
Lake Superior College	1.24	
Minnesota State College - Southeast Technical	1.12	
Anoka Technical College	1.08	
St. Cloud State University	1.07	
Southwest Minnesota State University	1.05	
Winona State University	0.95	
Bemidji State University & NTC - Bemidji	0.88	1.09
Itasca Community College	0.77	
Northland Community & Technical College	0.75	
St. Cloud Technical & Community College	0.75	
Minneapolis Community & Technical College	0.54	
Alexandria Technical & Community College	0.48	
Rochester Community & Technical College	0.37	
Central Lakes College	0.30	
Fond du Lac Tribal & Community College	0.26	
Hibbing Community College	(0.44)	0.17
System Total	1.16	

FY2010 Operating Margin

Colleges and Universities

Minnesota State University, Mankato	\$ 8,314,000
Winona State University	5,216,000
Normandale Community College	5,205,000
St. Cloud State University	4,993,000
Century College	4,617,000
Minnesota State University Moorhead	3,985,000
North Hennepin Community College	3,732,000
Anoka Ramsey Community College	2,660,000
Metropolitan State University	2,398,000

St. Cloud Technical College	2,099,000
Bemidji State University	1,982,000
Saint Paul College	1,920,000
Minneapolis Community & Technical College	1,881,000
Hennepin Technical College	1,799,000
Lake Superior College	1,731,000
Minnesota West Community & Technical College	1,695,000
Inver Hills Community College	1,672,000
South Central College	1,662,000

Minnesota State Community & Technical College	1,047,000
Dakota County Technical College	1,028,000
Minnesota State College - Southeast Technical	680,000
Anoka Technical College	597,000
Rainy River Community College	329,000
Itasca Community College	286,000
Mesabi Range Community & Technical College	234,000
Riverland Community & Technical College	211,000
Northland Community & Technical College	187,000

Fond du Lac Tribal & Community College	73,000
Pine Technical College	57,000
Vermilion Community College	(490,000)
Alexandria Technical & Community College	(535,000)
Ridgewater Community & Technical College	(571,000)
Central Lakes College	(660,000)
Hibbing Community College	(1,215,000)
Southwest Minnesota State University	(1,319,000)
Rochester Community & Technical College	(2,469,000)

System Total	\$ 57,077,000
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Minnesota
STATE COLLEGES
AND UNIVERSITIES

Minnesota State Colleges and Universities Financial Overview

Presented to the Board of Trustees Finance Committee

April 19th, 2011

Slide 1



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STATE COLLEGES
AND UNIVERSITIES

AGENDA

- Overview of monitoring activity
- Composite Financial Index- CFI
- Financial Health and Compliance Indicators

Slide 2



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Proactive steps that are occurring

- Trends-Highlights meetings – 22 colleges
- Annual exit conferences - 13 colleges
- Higher Learning Commission submissions
- Financial management awards
- Interim statements
- Robust web site - dashboard, allocations
- Training & onsite work sessions
- Fin Health & Comp Indicators procedure

Slide 3



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Networking that occurs

- Monthly CFO conference calls
- Regional co-horts- sharing of ideas
- Partnering new CFO's with a mentor
- Individual training sessions
- Movement within MnSCU
 - Retaining and New Opportunities

Slide 4



Composite Financial Index: Components

Primary Reserve *{resource availability}*

Viability *{debt coverage}*

Net Operating Revenue *{surplus or deficit}*

Return on Net Assets *{asset stewardship}*

MnSCU CFI 2.89 vs. Mid-line Goal 3.0

Slide 5



Composite Financial Index: Components

Primary Reserve *{resource availability}*

- MnSCU 3 months vs. 5 months

Viability *{debt coverage}*

- MnSCU 99% vs. 125%

Net Operating Revenue *{surplus or deficit}*

- MnSCU 3% vs. 2% – 4%

Return on Net Assets *{asset stewardship}*

- MnSCU 12% vs. 6%

MnSCU CFI 2.89 vs. Mid-line Goal 3.0

Slide 6



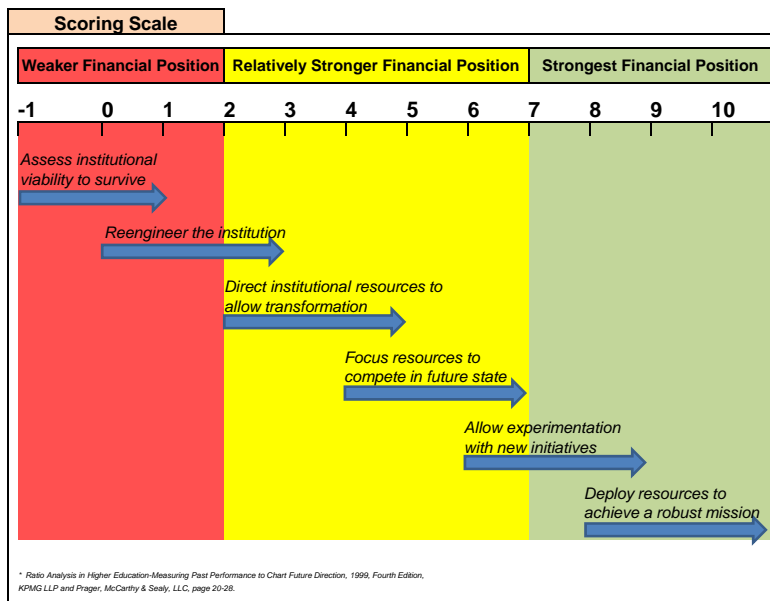
Composite Financial Index: Variability in the 36 Colleges and Universities

	High	Low	System
Primary Reserve - <i>resource availability</i>	1.24	0.03	0.66
Viability - <i>debt coverage</i>	3.50	0.11	0.83
Net Operating Revenue - <i>surplus or deficit</i>	0.64	(0.40)	0.24
Return on Net Assets - <i>asset stewardship</i>	2.00	(0.44)	1.16
Composite Financial Index (CFI)	6.53	0.52	2.89

Slide 7



Scale for Charting Composite Financial Index (CFI) Performance



Slide 8



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FY10 Top three – CFI

- Rainy River Community College
 - FY10 6.53 FY09 2.45
- Hennepin Technical College
 - FY10 6.41 FY09 5.69
- Dakota County Technical College
 - FY10 5.57 FY09 5.21

Slide 9



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FY10 Lowest three – CFI

- Hibbing Community College
 - FY10 = .52 FY09 = 1.13
- Fond du Lac Tribal & Community College
 - FY10 = .93 FY09 = 2.62
- Alexandria Technical & Community College
 - FY10 = .99 FY09 = 2.43

Slide 10



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Top 7- Positive Operating Margins

- Minnesota State University, Mankato
- Winona State University
- Normandale Community College
- St Cloud State University
- Century College
- Minnesota State University Moorhead
- North Hennepin Community College

Slide 11



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UNIVERSITIES

7 with Negative Operating Margins

- Rochester Com & Tech College
- Southwest MN State University
- Hibbing Com College
- Central Lakes College
- Ridgewater College
- Alexandria Tech & Com College
- Vermilion Com College

Slide 12



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What are some of the reasons?

- Enrollments #
- Grants – swing from year to year
- Bonding projects- spike in the current year
 - Depreciation & debt payments – future years
- Operational issues
- Variability within the institution
- Planned spend down of Fund Balance
- Unplanned or unforeseen events

Slide 13



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HLC's use of the CFI

- The review uses financial data reported in the spring by each college and university through the HLC Annual Institutional Data Update.
- HLC looks at two years
 - Not likely any of the three will have to do a financial recovery plan
 - Colleges & Universities may include foundations financials- generally improving CFI

Slide 14



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Financial Health and Compliance Indicators

- A new financial health and compliance indicator procedure has been developed, approved and becomes fully effective end of June, 2011.

Slide 15



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Short Term Factors

- MnSCU to MAPS (SWIFT) reconciliation
- Timely and complete bank reconciliation
- Overdraft in a local bank account during the fiscal year
- Repair replacement expenditures per square foot (3 year moving average) of at least \$1.00 per square foot.

Slide 16



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Long Term Factors

- Low Composite Financial Index (CFI) score
- Negative accrual based net operating revenue (“Income(Loss) Before Other Revenues, Expenses, Gains or Losses”).
- Low accrual primary reserve level.

Slide 17



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UNIVERSITIES

Consequences

- Financial Recovery Plan which identifies the specific steps that will be taken to move the college/university above the trigger level - *10 or 28% triggered*
- Cash flow statement- *12 or 33% triggered*
- Facilities Remediation Plan identifying specific steps that will be undertaken to move college/university above the trigger level - *20 or 56% triggered*

Slide 18



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Questions

- Thank you for this opportunity

Slide 19