

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: June 21, 2011

Agenda Item: St. Cloud State University Bookstore Income Contract Approval over \$3M

- Proposed Policy Action Approval 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, requires prior approval by the Board of Trustees for contracts exceeding \$3,000,000.

Scheduled Presenter(s): Laura M. King, Vice Chancellor – Chief Financial Officer
Earl H. Potter III, President, St. Cloud State University
Steven Ludwig, Vice President, Administrative Affairs

Outline of Key Points/Policy Issues:

The proposed action item is for Board action to approve the income contract with Follett Education Group, Inc., estimated to total \$3,175,000 through the end of June 2016, estimated to total an additional \$1,945,000 if renewed through the end of Jun, 2019, and estimated to total an additional \$1,280,000 if renewed through the end of June, 2021 for a total estimated contract value of \$6,400,000.

Background Information:

Follett Education Group, Inc. is the exclusive contractor to provide the university faculty, students, staff and community the services traditionally offered through the University Husky Bookstore. The contract was established through a Request for Proposal process facilitated by the University Bookstore Committee comprised of representative faculty, students and administration.

St. Cloud State University solicited through a Request for Proposal process a new contract for the operation of the University's Husky Bookstore. After reviewing four proposals, and holding two open sessions with the preferred vendors, a contract was negotiated that best met the University's needs today and in the future with the most lucrative terms and conditions. The contact includes a five year initial period with the option to renew for an additional three years and an additional two years for a total of ten years.

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

BOARD ACTION

St. Cloud State University Bookstore Income Contract Approval Over \$3M

BACKGROUND

Board Policy 5.14, Procurement and Contracts, requires prior approval by the Board of Trustees for contracts exceeding \$3,000,000. The proposed action item is for Board approval for the university to enter into an income contract with Follett Higher Education Group, Inc. for an estimated total of \$6,400,000 through the end of June, 2021.

Minnesota State Colleges and Universities, St. Cloud State University, currently has an agreement with Follett Higher Education Group, Inc. for the operation of the Husky Bookstore. The contract was assigned to the current vendor as a result of the Wallace Bookstore Bankruptcy. The contract has been in place for 10 years and will expire June 30, 2011.

St. Cloud State University Husky Bookstore provides merchandise and services traditionally offered by a university bookstore including rental and sales of electronic and new and used print textbooks, clothing with and without the university emblems, supplies, gifts, souvenirs, graduation regalia and textbook buybacks. The Husky Bookstore provides on-line book ordering and provides information to assist the University in compliance with the Higher Education Act Reauthorization of 2008.

The criteria the University established for the operation of the bookstore through the request for proposals process included the provision for required and recommended texts in a timely manner and in sufficient quantities, a textbook rental program, an electronic ordering system for students and faculty, pricing consistent with other campus bookstore operations, e-textbooks as available, assisting the University with the Higher Education Opportunity Act of 2008, use of excess financial aid for the purchase of texts, integration with the University's campus card system and clothing, graduation memorabilia, novelties trade books, etc. The Request for Proposal process that led to the contract is endorsed by the Bookstore Committee, an advisory committee comprised of faculty, students, and administration. Users are generally satisfied with the services and merchandise available through Husky Bookstore.

The University received four responses to the Request for Proposal, three met the criteria and one did not. The other offers were not as financially favorable to the university as the selected vendor.

The annual proposed contract with Follett Higher Education Group is valued as follows:
Commission based on gross revenue:

12.1% of all Gross Revenue up to **\$5,000,000**; plus
13.1% of all Gross Revenue over **\$5,000,000** but less than **\$8,000,000**; plus
14.1% of any part of Gross Revenue over **\$8,000,000**.

Renewal Incentives:

A **\$100,000** one-time payment within 90 days of the execution of the five year contract
 An additional **\$100,000** one-time payment within 90 days of the renewal of the contract
 for an additional three years if the contract is renewed

An additional **\$50,000** one-time payment within 90 days of the renewal of the contract
 for an additional two years if the contract is again renewed

\$10,000 annually in textbook scholarships during the term of this Agreement, in the form
 of gift cards or as an accounts receivable account

Capital Investment of **\$120,000** to update store to the vendor's branding

Proposal

The proposed action item seeks Board action to approve the contract with a term of July1,
 2011 to June 30, 2016 with 2 additional renewals possible through June 30, 2021.

Procurement

Ten Year Income Projection

	Renewal Incentive	Commission	Scholarship Contribution	Total
Year 1	\$ 100,000	\$ 605,000	\$ 10,000	\$ 715,000
Year 2		\$ 605,000	\$ 10,000	\$ 615,000
Year 3		\$ 605,000	\$ 10,000	\$ 615,000
Year 4		\$ 605,000	\$ 10,000	\$ 615,000
Year 5		\$ 605,000	\$ 10,000	\$ 615,000
Year 6	\$ 100,000	\$ 605,000	\$ 10,000	\$ 715,000
Year 7		\$ 605,000	\$ 10,000	\$ 615,000
Year 8		\$ 605,000	\$ 10,000	\$ 615,000
Year 9	\$ 50,000	\$ 605,000	\$ 10,000	\$ 665,000
Year 10		\$ 605,000	\$ 10,000	\$ 615,000
Total	\$ 250,000	\$ 6,050,000	\$ 100,000	\$ 6,400,000

RECOMMENDED COMMITTEE ACTION

The Finance/Facilities Policy Committee recommends that the Board of Trustees approve the income contract between Minnesota State Colleges and Universities, St. Cloud State University and Follett Higher Education Group, Inc. for an estimated total income of \$6,400,000 through June 30, 2016 with two possible additional renewals through June 30, 2021. The Board directs the Chancellor or his designee to execute all necessary documents.

RECOMMENDED BOARD OF TRUSTEES ACTION

The Finance/Facilities Policy Committee recommends that the Board of Trustees approve the income contract between Minnesota State Colleges and Universities, St. Cloud State University and Follett Higher Education Group, Inc. for an estimated total income of \$6,400,000 through June 30, 2016 with two possible additional renewals through June 30, 2021. The Board directs the Chancellor or his designee to execute all necessary documents.

Date Presented to the Board: June 22, 2011