

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MEETING MINUTES
October 18, 2011**

Finance and Facilities Committee Members Present: Dan McElroy, Chair; Trustees Jacob Englund, Clarence Hightower, Phil Krinkie, Tom Renier, James Van Houten and Michael Vekich

Other Board Members Present: Trustees Brett Anderson, Duane Benson, Cheryl Dickson, Alfredo Oliveira, David Paskach, Christina Rice, 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 October 18, 2011, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair McElroy called the meeting to order at 12:07 p.m.

1. MINUTES OF JUNE 15, 2011

The minutes of the June 15, 2011 meeting were approved as published.

2. MINUTES OF JUNE 21, 2011

The minutes of the June 21, 2011 meeting were approved as published.

3. MINUTES OF AUGUST 4, 2011

The minutes of August 4, 2011 were amended to reflect Trustee Thiss and Chancellor Rosenstone as present. The minutes were approved as corrected.

4. FINANCE AND FACILITIES UPDATE

Vice Chancellor King began her update with a copy of a news release prepared by the Office of Research, Planning and Effectiveness concerning a slight downward trend in fall 2010 to fall 2011 enrollment at Minnesota State Colleges and Universities. She will be working with presidents and CFOs to identify any budget challenges that have occurred due to changes in enrollment.

The finalization of the Finance division workplan awaits the Chancellor's work with the Board on the Strategic Framework and action plan. Trustee McElroy requested it be added to a future agenda and Vice Chancellor King stated she will be prepared to give an update at the November meeting.

The Finance division has been working on Project 2022 which is a 10-year financial modeling tool that looks at the impact of tuition rates, enrollments, appropriations, financial aid, compensation, debt service and other operating expenses.

Associate Vice Chancellor Dougherty recapped the tracking sheet of the Campus Service Cooperative that outlined the functions that are offered and the campuses' participation. He noted that Direct Lending at Pine Technical College and Accounts Payable at Dakota County Technical College are in a pilot phase. He added that Chancellor Rosenstone is a strong supporter of the project.

Trustee Englund inquired about the buy-in of the campuses in regards to the Campus Service Cooperative (CSC). Vice Chancellor King responded that there are three components to it: people, real estate, and technology. The challenge has been the people component because growth has been dependent on how fast the services can be staffed. Trustee Dickson asked about the nine areas on the handout with nothing in the columns. Vice Chancellor King replied that the CSC is growing one area at a time and clarified that those indicating expressed interest means that negotiations are actually underway. Trustee Van Houten asked if the CSC is meant to have regional centers or a centralized location. Mr. Dougherty responded that the CSC is flexible and the human capacity will determine the location that will make the most sense. Chancellor Rosenstone added that there has been enthusiasm from the campuses and their incentive to use the CSC has been that their cost savings remain at the campus so the CSC should continue to experience growth.

Audit work is moving along nicely and SWIFT is up and running, replacing MAPS. Vice Chancellor King acknowledged that the conversion has been a burden to the campuses and commended them for their work during the transition.

The System Office is reviewing spending, organization structure, services and delivery methods. A revised 2012 budget will be in place by January, 2012.

Copies of the Capital Bonding books are published and have been distributed to campuses, legislators and trustees. Associated Vice Chancellor Brian Yolitz has been visiting many of the campuses that have projects underway. The campuses have moved fast on many of the projects which will make good stories for legislators.

September was Campus Fire Prevention Month which coincided with the start of fall semester. The focus was on apartments and residence halls. The System Office provided literature and recommendations to the campuses.

The consolidation at Wells Fargo Place is complete and the 7th floor has been vacated. The Campus Service Cooperative is up and running at Harmon Place. In all, 180 employees were relocated.

St. Cloud Technical, Normandale, and Mesabi Range all celebrated grand openings. There are many more grand openings scheduled for spring.

5. HOBSONS CONTRACT APPROVAL

Vice Chancellor King reported that Minnesota State Colleges and Universities seeks Board approval to renew the Hobsons contract to Dec. 23, 2015 and at the same time, amend the contract to synchronize the term for all colleges and universities.

Vice Chancellor King asked Associate Vice Chancellor for Student Affairs Mike Lopez and President John O'Brien from North Hennepin Community College to take the floor. Mr. Lopez explained that Hobsons enrollment management technology assists admissions and enrollment officers with managing the recruitment, retention, and completion process. The solutions create operational efficiencies by providing automated tracking, communications, interventions, and reporting for prospective and current students. He reported that Minnesota State Colleges and Universities entered into a contract with Hobsons beginning in December 24, 2008. The contract was amended on May 6, 2010 to extend the contract to December 23, 2013, including an option to renew for an additional two (2) years. Currently nineteen institutions are using Hobsons. Hobsons products are not seen as competing with Minnesota State Colleges and Universities communication module. The synchronization of those covered under the contract will save the campus a combined approximate savings of \$3,000,000.

President O'Brien endorsed the renewal of the Hobsons contract. He fully supports operating collectively particularly when campuses will experience cost savings. He also compared collaborative efforts to that of Students First and the Campus Service Cooperative. President O'Brien stated that Hobsons is the key to communication and campuses have not been efficient in following up with students who do not return. Trustee Dickson concurred that campuses have not been good at tracking non-returning students. President O'Brien further stated that Hobsons has two modules – "Connect" which is geared at marketing and prospects and "Retain" which focuses on student retention. With 70% of North Hennepin's students being first generation college students and 40% being low income, he emphasized the importance of how Hobsons can watch attributes such as a withdrawal and automatically send an email or text to the student that explains what the withdrawal means to them. It can also send reminders to register for the next semester as well as send congratulatory notes on students' successes.

Trustee Oliveira asked for a comparison of ISRS to Hobsons and also if Hobsons was the best software on the market. Mr. Lopez replied that ISRS does not have the features and capabilities of Hobsons in regards to the generation of automatic texts and emails. Many of the new prospects come from high schools and college fairs and there have been issues in ISRS with duplicates when trying to upload those prospects. 10 RFP's were received and of those, three gave presentations and it was deemed that Hobsons was the best product.

Trustee Krinkie inquired about the comfort level with the data security compliance of the software. Vice Chancellor Huish responded that due diligence was done with Hobsons and he is confident in the product's security protocols.

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

RECOMMENDED COMMITTEE ACTION

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

The Board of Trustees approves amending and extending the current contract until December 23, 2015 between Minnesota State Colleges and Universities and Hobsons for estimated total expenditures not to exceed \$5,000,000. The Board directs the Chancellor or his designee to execute all necessary documents.

6. LEARNING MANAGEMENT SYSTEM CONTRACT AWARD

Vice Chancellor Laura King reported that ASA and ITS staff have been working with the campuses for many months to examine the marketplace for learning management systems and best practices. Based upon the analysis, and after review by the ITS – Information Security office, the staff recommends award of a new contract with the current vendor, Desire2Learn, Ltd. The costs of the contract are supported by the MnOnline program budget. Vice Chancellor King asked Vice Chancellor Huish to present this action to the Board.

Vice Chancellor Huish requested Board of Trustees approval of a proposed license and support agreement with Desire2Learn Ltd. for the delivery of Minnesota State Colleges and Universities Learning Management System. The contract includes the cost of licensing and support for the initial term of six years with four options to renew in one year increments. The estimated cost is approximately \$1.4 million annually with a total cost of \$14.5 million for the projected ten year investment. It is estimated that an enterprise wide licensing saves the system approximately \$1,000,000 annually. He also noted that software is only 20% of the investment and there are significant switchover costs with selecting a different vendor.

Trustee Englund inquired about Open Class (a Google product) as a content provider, which is free. Mr. Huish responded that he has been following information on the product and it is his understanding that it is being beta tested. He has concerns with student data privacy and response time in addition to possible restrictions to content that can be posted. There are 25,000 courses currently on D2L with an incredible amount of intellectual property that would take a considerable amount of time to convert. Another learning management system would need to coexist with D2L for 30-36 months, however he keeps his eyes on emerging technologies and will advocate for the best products out there. He went on to say the RFP process used in

selecting D2L is valid and all vendors were accountable in proving they were a good match for our needs.

Trustee McElroy asked if there was a way to shorten the commitment of the D2L contract to less than six years. Vice Chancellor King responded that there is a pricing structure involved based on the six years and there is no obligation to renew for the subsequent four one-year periods. Trustee Krinkie said he realized that systems change at lightning speed but a process for out-migration should be looked at if the cost to the system becomes a threat.

Trustee Anderson feels that as an end user, D2L has been stagnant. Vice Chancellor Huish responded that competing technologies will leapfrog each other. D2L is just rolling out an analytics engine. There is value in continuity, which both the faculty and students need. D2L is the vehicle to learning and reminded that D2L is not the learning or the content. Trustee Van Houten agreed that there is value of continuity throughout the campuses in that the faculty are trained on the same tool and that all students get a similar experience. He added that he feels the financial risks are small and the experts should not be second guessed.

Chancellor Rosenstone advocated for approval of the contract. He reminded that a migration period of 30-36 months and horrendous transition costs, and with only 20% of the cost being in the software, the ability for the system to offer online education should not be put at risk. In addition it would be a tremendous burden to faculty and a difficult transition to students.

Trustee McElroy asked that with a current expiration date of September of 2012, if there would be time to renegotiate the length of the contract. He also asked if there would be a penalty for not renewing now and what would be the impact of delaying it for a month or more. Vice Chancellor Huish clarified that this is a new contract and does not extend the length of the current contract. He replied that there is no way to know the implication of delaying signing the contract. New negotiations could begin in subsequent months but there is a risk of losing ground.

Trustee Englund stated that his earlier statement was not meant to derail D2L by starting over with a new RFP process, but rather to see if there is flexibility in the length of the contract presented today.

Trustee Krinkie's expressed concern about the ongoing mission of the system and being left with a continued contract. He said he would have a serious issue with any vendor wanting a contract commitment of that length due to unforeseeable circumstances such as bankruptcy. Time should not be the largest issue here and there should be concern for vulnerability in a long term migration.

Don Larson, President of the Inter Faculty Organization (IFO) was in the audience asked to speak. He shared that there is nervousness among the IFO members and the IFO endorses the continuation of the D2L contract. Faculty feel D2L has proven

itself to be the best online tool available. Mr. Larson strongly agreed with Chancellor Rosenstone's statement.

During the course of the discussion, Trustees Dickson, Renier, Hightower and Oliveira expressed support for the renewal of the contract.

Trustee Renier moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Veckich seconded the motion. Motion carried with Englund, Krinkie, and McElroy voting in dissent.

RECOMMENDED MOTION:

The Board of Trustees approves entering into a contract with Desire2Learn Ltd., as the enterprise Learning Management System solution for the Minnesota State Colleges and Universities for the cost of licensing and support with the initial term of six years with four options to renew in one year increments not to exceed \$14,500,000 dollars as described herein. The Board directs the Chancellor or his designee to execute all necessary documents.

7. TUITION WAIVER REQUEST – NORTHLAND COMMUNITY AND TECHNICAL COLLEGE

Vice Chancellor Laura King requested Board approval for a tuition waiver for courses in the Unmanned Aerial Systems program at Northland Community and Technical College (NCTC). The college has identified a conflict between board policy and federal grant requirements and approval of the tuition waiver request is necessary to conform college practice with the grant's expectations. NCTC requests a waiver of tuition for fall and spring semesters of academic year 2012, fall semester of academic year 2013, and a portion of spring semester 2013. For spring semester 2013, the college would charge prorated tuition.

Under the specific provisions of this grant, there are some allowable types of program income. Initially, NCTC believed that tuition would qualify as allowable program income. However, NCTC's Federal Project Officer (FPO) has issued a final determination that courses funded by this Department of Labor grant may not generate tuition—only the tuition from non-UAST credits may qualify as program income. Conversely, fees other than tuition are allowable as program income. She noted the request has been reviewed by the General Counsel's office.

Trustee Van Houten moved that the 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 a tuition waiver for courses in Northland Community and Technical College's Unmanned Aerial Systems (UAS) program that have a prefix of UAST. This waiver is approved for fall and spring semesters of academic year

2012, fall semester of academic year 2013, and a prorated portion of spring semester 2013.

8. MINNESOTA STATE UNIVERSITY, MANKATO HOUSING LEASE

Associate Vice Chancellor of Facilities Brian Yolitz presented to the Board Minnesota State University Mankato's request to receive approval to enter into a 252-bed off-campus apartment building lease to start in fall semester 2012. The terms of the lease include a one year term with four (4) x 1 year options to renew in favor of the university. If all renewal options were exercised, the total cost would be approximately \$6.9 million. The university would provide the furnishings.

President Davenport added that the university plans to decommission the 1150-bed Gage Residence Hall and wishes to lease off-campus beds to maintain a portfolio size that will continue to meet expected student demand. He stated that the university's enrollment is growing and retention is at 77% (the highest in the system). He is confident that the beds will be filled.

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

RECOMMENDED MOTION:

The Board of Trustees approves the lease at 755 Heron Drive, Mankato, Minnesota, consistent with the business terms as described in this narrative, subject to final approval of the lease terms by the Chancellor or his designee.

9. CONSTRUCTION PROJECT, RIVERLAND COMMUNITY AND TECHNICAL COLLEGE

Associate Vice Chancellor of Facilities Brian Yolitz presented The Hormel Foundation's proposal to finance the renovation of 22,000 sq. ft. at the Riverland Community College in Austin for an early childhood education center that would be operated by a day care provider. The approximately \$3 million project would be financed from a \$2 million grant from the Hormel Foundation and the Foundation's efforts to coordinate matching grants from other community businesses and funding sources for the remaining capital needed. The college seeks Board approval to continue working with the Hormel Foundation and eventually executing the necessary agreements to accomplish this project. At the end of the day care center's lease, it will be up to the campus to decide whether to renew the lease or use it for other purposes.

Trustee McElroy inquired if the day care would be open to both students and community. President Leas responded that it would be open to both. It is the Hormel Foundation's desire to have affordable childcare in the community and there is definitely a market for it along with a waiting list at the current facility. The children

that would be served at the new facility would increase from 190 to 300. He noted that the proposal has not been publicized yet due to ongoing negotiations.

Trustee Van Houten asked if there was a risk that college's name could be implied as owners in recruiting/advertising and if there would be a provision for a hold harmless clause. Vice Chancellor Laura King replied that documents will be drafted that are similar to Worthington/YMCA relationship. All topics of concerns will be addressed in the contract including risk management and adhering to the system's design and construction standards. The documents will be reviewed by the Office of the General Counsel. Gail Olson from the Office of the General Counsel acknowledged the involvement of her office.

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

Trustee Van Houten asked that the minutes reflect an assignment to the staff to address the risk management issue mentioned previously.

RECOMMENDED MOTION:

The Board of Trustees approves the lease at 755 Heron Drive, Mankato, Minnesota, consistent with the business terms as described in this narrative, subject to final approval of the lease terms by the Chancellor or his designee.

10. REALLOCATION OF REVENUE BOND PROCEEDS, ST. CLOUD STATE UNIVERSITY

Associate Vice Chancellor of Facilities Brian Yolitz reported that St. Cloud State University is seeking approval to restructure the way it is proposing to finance a portion of construction for Phase I of the National Hockey and Events Center. The university proposes to declare the Phase I addition of the National Hockey and Events Center as a revenue fund asset, and to use approximately \$5.2 million of revenue fund monies toward a portion of overall construction costs. The \$5.2 million capital contribution will include the use of \$3 million of existing taxable revenue bonds, and the surplus and loan of approximately \$2.2 million of revenue fund reserves from the university's residential life program. The remaining cost of Phase I will be supplied by the St. Cloud State University Foundation. The university intends to replenish the residential life reserves during the course of this arrangement. The university expects to generate sufficient revenues to both pay the debt service and replenish the residential life reserves from the operation of the hockey store, suite, and concessions revenue.

President Potter hopes to break ground yet this fall and maintain the momentum of the fund raising campaign. Additionally, there is confidence that the university's revenue fund program can absorb this change without material adverse impact on the long range housing program.

Vice President of Administration Steve Ludwig reported that to date, \$1.5 million has been raised and another \$4.1 million has been received in pledges toward the project. \$12.5 million is expected to be raised in philanthropy five years out and he has been working on arranging financing with three banks. In order to pay off the bonds, the operating lease would allow income from operations including concessions and the pro shop. He is confident sufficient revenue would be generated to cover the payment.

Trustee McElroy asked if there would be a delay or reduction in other Revenue Bond issues. Mr. Yolitz responded that there would be approximately \$500,000 left to jumpstart other projects and there would be no impact on campus sustainability.

Trustee Hightower inquired about the \$1.7 million already spent. Vice Chancellor King replied that the \$1.7 million was spent from GO bond proceeds.

Mr. Yolitz added that he is reviewing the recommended projects for the 2013 bond sale including a SCSU residential life plan for \$13.5 million that went into the viability of this project.

Trustee Vekich moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Englund seconded the motion which carried with Trustee Krinkie voting in dissent.

RECOMMENDED MOTION:

The Board hereby adds the Phase I National Hockey and Events Center as identified on **Attachment A** to the revenue fund, and

- a) Authorizes the use of up to \$3 million of taxable bond proceeds available from the 2009 and/or 2011 revenue bond sales and related university contributions as described herein to complete Phase I work, and
- b) All other terms and conditions of the Board's original action in March 2010 are continuing including the St. Cloud State University Foundation financial commitment to providing the remainder of funding necessary for the completion of the Phase I project in the National Hockey and Events Center.

Chair McElroy adjourned the meeting at 2:07 p.m.

Respectfully submitted,
Laury Anderson, Recorder