



**FINANCE AND FACILITIES COMMITTEE
OCTOBER 18, 2011
12:00 P.M.**

**MCCORMICK ROOM
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 June 15, 2011** (pp 1-4)
- (2) **Minutes of June 21, 2011** (pp 5-11)
- (3) **Minutes of August 4, 2011** (pp 12-15)
- (4) Finance and Facilities Update
- (5) **Hobsons Contract Approval** (pp 16-18)
- (6) **Learning Management System Contract Approval** (pp19-24)
- (7) **Tuition Waiver Request – Northland
Community and Technical College** (pp 25-27)
- (8) **Minnesota State University, Mankato Housing Lease** (pp 28-30)
- (9) **Construction Project, Riverland Community and Technical College**
(pp 31-35)
- (10) **Reallocation of Revenue Bond Proceeds,
St. Cloud State University** (pp 36-45)

Members

Dan McElroy, Chair
Michael Vekich, Vice Chair
Jacob Englund
Clarence Hightower

Phil Krinkie
Thomas Renier
James Van Houten

Bolded items indicate action required.

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

Finance and Facilities Committee Members Present: Dan McElroy, Chair; Trustees Duane Benson, Christopher Frederick, Clarence Hightower, Phil Krinkie, and James Van Houten

Finance and Facilities Committee Members Absent: Cheryl Dickson and Michael Vekich

Other Board Members Present: Louise Sundin and Scott Thiss; via telephone David Paskach, Tom Renier and Christine Rice

Leadership Council Representatives Present: Vice Chancellor Laura King, Presidents Richard Davenport and Joseph Opatz

The Minnesota State Colleges and Universities Finance and Facilities Policy Committee held its meeting on June 15, 2011, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair McElroy called the meeting to order at 8:05 am.

1. MINUTES OF May 17, 2011

The minutes were approved as presented.

2. FINANCE AND FACILITIES UPDATE (*Information*)

There was no update.

3. FY2012-2017 CAPITAL BUDGET REQUEST (*First Reading*)

Associate Vice Chancellor for Facilities, Brian Yolitz, reviewed the recommended Capital Budget request. The total request for FY2012 is \$344.2M which consists of \$110M for Higher Education Asset Preservation and Renewal (HEAPR), \$222.6M for 28 capital projects and \$11.6M for three system initiatives. The request is reflective of the Board approved Capital Guidelines and Directions. The program consists of 19 projects and one initiative that are carried forward from 2010 (\$193.4M) and nine new projects and two initiatives (\$40.7M) and is built on the assumption of no new capital appropriation in 2011. HEAPR projects consist of code compliance, exterior of existing buildings or infrastructure repairs and renewal. In addition \$90.2M designated for projects will address HEAPR-like work.

Mr. Yolitz reviewed charts showing program mix, institutional type distribution, history of prior budgets, and distribution by regions. The total potential debt burden of the program is \$344.2M of which one third must be paid by the system. This amount is divided equally between the institution and the Office of the Chancellor. The current annual debt service payments are \$15M by campuses and \$15M by the

system office. If funded, the FY2012 request would add \$6M to that amount. Vice Chancellor King remarked that the system's current total annual debt service payments as a percent of revenue are under 3%, and model as being under 3% into the future and compare favorably with our peer institutions.

Trustee Hightower expressed appreciation for lowering the total request. Mr. Yolitz noted projects were re-scored after the capital guidelines were updated in May 2010. Based on the revised guidelines, the Saint Paul College Health & Science Alliance Center design (#13) and Century College Academic Partners classroom addition design and construction (#14) were moved higher on the list because of high FYE growth and existing space limitations. He noted also that Alexandria Technical and Community College's project was moved down on the list in consultation with President Kopischke. Mr. Yolitz noted that the campuses did lots of work to reduce the scope and budgets of the submitted projects.

Trustees Van Houten and Krinkie both expressed concern about the size of the request, noting the recent reduced legislative commitment to capital bonding. Trustee Van Houten felt the vision for the proposal was not shared with the committee. Trustees Hightower and Benson disagreed with that observation by noting that staff had made presentations to the committee several times asking for guidance on the Capital Budget Guidelines and the recommended size. Chancellor McCormick also noted that the legislature has respected the staff's capital budget work and honored the list as presented in the past.

Vice Chancellor King remarked that the recommendation attempts to deal with congestion from projects not funded in the last two cycles and the system is struggling to find the funds it needs to preserve its assets. She noted that staff will be working on long term facilities and financial sustainability in the coming fiscal year as part of the division work plan. Mr. Yolitz noted that the system's facilities could expect continued degradation, inefficient educational space, and higher operations costs without capital bonding funds.

Chair McElroy asked for committee members to forward requests for changes to the list so that further discussion could take place at the second reading on June 21.

4. FY2012 OPERATING BUDGET (First Reading)

Associate Vice Chancellor for Budget, Judy Borgen, reviewed the materials that were prepared for the Board regarding the FY2012 Operating Budget request. The operating budget request is based on the appropriation in the conference committee bill that was vetoed by the Governor. It is in the best interest of the system to move forward with budget and tuition/fee recommendations so that colleges and universities can provide students with tuition and fee rates and estimated financial aid packages.

The Chancellor has recommended that tuition increases for FY2012 be limited to no more than 4 percent for college students (an increase of \$166 per full time student per

year) and 5% for university students (an increase of \$299 per FYE). This recommendation supports the Board's policy position concerning limitations on the FY2012 tuition increases but differs from the conference committee's bill which limited college tuition to 3%. If the final higher education appropriation bill limits the tuition increase, the proposed motion authorizes the Chancellor to make the adjustment and other technical adjustments. On average the total impact of fee increases is 2.7% (or \$13.66/per credit). Consultation on the fee increases have occurred with the state-wide and campus student associations.

The system's legislature request for the FY2012-2013 biennium was \$1260.7M. The Governor's recommendation reduced the system's base by 6% (or \$75.5M) to \$1,185M. The conference committee bill further reduced the system's base by 14.3% (\$179.7M) to \$1,081M. For FY2012, 85.2% of state resources received by the system are scheduled to be allocated to colleges and universities either as basic allocation or through priority allocations. Colleges and universities have been making tough decisions in anticipation of a reduction in state appropriation. Solutions vary greatly across the system, but include 81 program closures/reductions and elimination of 680 positions through attrition or layoffs, reduction of service hours to students and increased class sizes.

In FY2012 it is estimated that tuition will be 60.6% of the total revenue in the operating budget. This is a complete reversal of the relationship in FY2003 when state appropriation represented 60.1% of the total operating budget. If enacted, the \$1,081M biennium appropriation represents the lowest amount of state appropriation the system has received since before FY2000. The system is educating 43,000 more students with \$14M less state appropriation when comparing FY2000 with FY2012. Vice Chancellor King noted that tuition is not going up because of rising costs but is being used to replace the loss of appropriation. Chancellor McCormick also gave credit to the administration and faculty at the colleges and universities for the work they have done in to mitigate the effect of the decline in appropriation.

The state grant program and other programs administered by the Office of Higher Education remain unresolved due to the lack of a final higher education bill. Colleges and universities may make estimated calculations to aid students in planning but no awards will be disbursed until the higher education bill is finalized. State grants were rationed for the 2010-2011 award year to accommodate a projected shortfall in funds. It is expected the same rationing will occur for the 2011-2012 award year but at a smaller rate of reduction. Congress retained the Pell Grant maximum of \$5,550. Trustee Van Houten remarked that grants pay for 46% of the system's tuition.

In addition, fees for Revenue Fund facilities (room and board; student union facility fees; wellness and recreation facility fees; and parking ramp and surface lot fees) have been increased slightly to cover the operation of those facilities.

Travis Johnson, president of Minnesota State College Student Association, urged the committee to not set tuition rates until the higher education appropriation legislation

has been finalized. He noted the decade long escalation in college tuition rates has placed a burden on college students.

Trustee Van Houten expressed concern that the language in the proposed higher education bill directs the Board of Trustees to place the highest priority on meeting the needs of employers for a skilled workforce when making programming decisions. Vice Chancellor King agreed that an amended motion addressing the language would be drafted and presented at the second reading of the operating budget.

Chair Thiss announced that Governor Dayton has agreed that Minnesota State Colleges and Universities can continue to operate in the event of a state shutdown. The system is grateful that services will continue to be offered to students. He commended staff for their work with the Governor's office and Minnesota Management and Budget on this effort and thanked Governor Dayton for his support.

Chair McElroy adjourned the meeting at 11:10 a.m.

Respectfully submitted,
Nancy Lamden, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MEETING MINUTES
June 21, 2011**

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

Other Board Members Present: Jacob Englund, Louise Sundin, and 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 June 21, 2011, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair McElroy called the meeting to order at 8:00 am.

1. MINUTES OF JUNE 15, 2011

Trustee McElroy laid over the minutes of June 15, 2011, which were handed out at the meeting, for approval at the next committee meeting.

2. FINANCE AND FACILITIES UPDATE (*Information*)

Vice Chancellor King reported that discussions are continuing with the Governor to permit operations of the Minnesota State Colleges and Universities to continue based on its statutory and practical financial autonomy and its balance carry-over authority in the event of a state shutdown after July 1, 2011. Later in the meeting, Board Chair Thiss announced that the effort had been successful. He praised Vice Chancellor King, General Counsel Gail Olson and the government relations staff for the outstanding work they did on behalf of the system.

Vice Chancellor King advised the committee that the Office of the Chancellor payroll is now processed at the Campus Service Cooperative bringing the total number of MnSCU locations serviced by the cooperative to 16. Service is now being expanded to include bank reconciliations. The first cooperative participant for account reconciliations is Normandale Community College. Opportunities for the purchase of goods and services of several hundred million dollars are in scope for sourcing through the Campus Service Cooperative. Material savings (in excess of 20%-30%) can be realized by leveraging the purchasing power of the System and adopting disciplined sourcing practices. Development of a best practices toolkit to support prevention of financial aid fraud is also being undertaken.

Vice Chancellor King reported that the FY2011 financial statement audit effort kicked off this week. External auditors are being oriented and trained on our systems. Campus visits are expected to begin in mid to late September.

Trustees should receive the semi-annual Capital Improvement Program (CIP) Report in late July which reflects the capital and Revenue Fund projects status as of June 30, 2011.

Construction has started on reconfiguring office spaces in Wells Fargo Place for the Office of the Chancellor consolidation. The consolidation will move staff off of the 7th floor.

The Fire Center has been transferred from the Academic and Student Affairs Division to the Finance Division effective July 1, 2011. The focus of the center will be on supporting campus compliance in areas of safety, occupational health, security, environmental and emergency management. Vice Chancellor King anticipates recommending a Board Policy statement and supporting procedures in these areas as one of the redesigned center's first tasks. The center provided CPR and AED training for approximately 40 Office of the Chancellor staff as part of National CPR week. The Fire Center Library resources moved to Century College earlier this year.

3. 2011 OFFICE OF THE CHANCELLOR PERFORMANCE REPORT – FINANCE AND FACILITIES DIVISION (*Information*)

Vice Chancellor King reviewed the performance report which included four sections that provide information about the current and projected budget of the division; the functions performed by the division and how they differ or complement those of the institutions; a listing of major goals and accomplishments for FY2011 and the preliminary division goals for FY2012.

Trustee Van Houten commented that he would like to see more communication about the Campus Service Cooperative and the opportunities available there. He also asked Vice Chancellor King about CFO turnovers on campus. Vice Chancellor King responded that although there routinely are turnovers, she does not have a heightened concern.

4. PROGRESS ON COMMITTEE GOALS (*Information*)

Vice Chancellor King reviewed the goals selected for committee work this past year. The goals included physical plant planning and management, developing a recommendation of a Resources for Results framework and realignment and reorganization strategies.

As part of the reorganization and realignment goal, the Campus Services Cooperative made strong progress this quarter – 16 colleges are already customers or in discussion for assistance. There is no university participation to date. There will be next generation work on administrative efficiencies in FY2012 to further the realignment and reorganization goal. Vice Chancellor King remarked that she would be discussing with the new chancellor how to continue the project in 2012.

5. FY2012-2017 CAPITAL BUDGET REQUEST (*Second Reading*)

Associate Vice Chancellor for Facilities, Brian Yolitz, presented the FY2012 Capital Budget request for its second reading. The total request is \$344.2M which consists of \$110M for Higher Education Asset Preservation and Renewal (HEAPR), \$222.6M for 28 capital projects and \$11.6M for three system initiatives. The request is reflective of the Board approved Capital Guidelines and Directions. The program consists of 19 projects and one initiative that are carried forward from 2010 (\$193.4M) and nine new projects and two initiatives (\$40.7M) and is built on the assumption of no new capital appropriation in 2011.

Trustee Van Houten questioned whether the approval of design work implied approval of the future project. Mr. Yolitz noted that the Board approves projects each biennium. Approval of design funding would indicate that the scoring teams, staff and chancellor are in support of the future funding for the project. However, circumstances can change and projects can be modified, eliminated or given new priority on future lists to meet the needs of the system or institutions. Chair McElroy noted that the approved Capital Guidelines call for good long range planning. Trustee Vekich moved to amend the motion to clarify this process (see bold). Trustee Van Houten seconded the motion which prevailed.

Trustee Benson moved that the Finance and Facilities Committee recommend adoption of the following revised motion. Trustee Dickson seconded the motion which carried with Trustee Krinkie dissenting.

RECOMMENDED MOTION:

The Board of Trustees approves the FY2012-2017 Capital Budget as presented in Attachment A, specifically the projects and priorities for FY2012.

In approving funds for design, the Board stipulates that it reserves final approval of later construction spending and priority to such projects versus others that may later be considered.

The Chancellor is authorized to make cost and related adjustments to the budget as required, and to forward the Capital Budget to the Governor for consideration in the FY2012-2017 state capital budget. The Chancellor shall advise the Board of any subsequent changes in the Capital Budget prior to the 2012 legislative session.

6. FY2012 OPERATING BUDGET (*Second Reading*)

Vice Chancellor King presented the FY2012 Operating Budget for its second reading. The operating budget request is based on the appropriation in the higher education conference committee bill that was recently vetoed by the Governor. It is in the best interest of the system to move forward with a budget and tuition/fee recommendations so that colleges and universities can provide students with tuition and fee rates and estimated financial aid packages.

The Chancellor has recommended that tuition increases for FY2012 be limited to no more than 4 percent for college students (an average increase of \$166 per full time student per year) and 5% for university students (an average increase of \$299 per FYE). This recommendation supports the Board's policy position concerning limitations on the FY2012 tuition increases but differs from the higher education conference committee report which limited college tuition to 3%. If the final higher education appropriation bill limits the tuition increase, the proposed motion authorizes the Chancellor to make the adjustment and other technical adjustments. On average the total impact of fee increases is 2.7% (or \$13.66/per credit). Consultation on the fee increases have occurred with the state-wide campus student associations.

Amanda Bardonner, the State Chair for Minnesota State University Student Association (MSUSA), addressed the committee. She advocated for the System to defer action on the budget until a final higher education bill has been enacted.

Trustee Frederick questioned why students who are concerned about the budget and tuition increases approved increases to student fees for student life at many campuses. Ms. Bardonner responded that there is a constant struggle for students to decide where to spend their money. Vice Chancellor King noted that some items which are paid for by student fees may not be an activity that a president may choose. President Davenport confirmed that every campus is different and there are years when fees may be higher or lower.

Vice Chancellor King recommended adoption of the budget to allow the colleges and universities to start staff and program changes. By setting the tuition rate now, students and their families will be able to estimate their costs and financial aid can be calculated. The Board Chair, Chancellor and staff will continue their legislative efforts and their commitment to the students have not wavered. If the legislative outcome is materially different the Board can revisit their decision. Section h of the motion was revised slightly in the Finance Committee (see bold) to reflect that commitment.

Trustee Frederick moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Van Houten seconded the motion which prevailed.

RECOMMENDED MOTION:

- a. Adopt the annual total operating budget and general fund budget for fiscal year 2012 in Tables 7 and 8. Per Board Policy 5.9, the Board of Trustees will be periodically provided systemwide budget updates for all funding sources on an exception reporting basis.
- b. Approve the proposed tuition structure recommendations for fiscal year 2012 as detailed in Attachments 1A through 1E.

- c. All tuition increases are effective Summer Term or Fall Term 2011 at the discretion of the president. The Chancellor is authorized to approve tuition structures for new courses or programs proposed after this date, as well as any required technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2013 tuition recommendations are presented to the Board of Trustees.
- d. The Board of Trustees continues the policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, and contract postsecondary enrollment option programs.
- e. Approve the Revenue Fund fiscal year 2012 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as detailed in Attachments 2A and 2C through 2E, including any housing fees that the campuses may charge for occupancy outside the academic year. The Chancellor is authorized to approve fee structures for any new revenue fund programs as well as any technical adjustments, and is requested to incorporate any approvals at the time fiscal year 2013 recommendations are presented to the Board of Trustees.
- f. Approve the fiscal year 2012 fees structure for room and board for colleges **that** either own or manage student housing as detailed in Attachment 2B.
- g. Approve the \$3.85/credit facility fee for the St. Cloud State University Revenue Fund Guarantee project.
- h. Authorize the Chancellor to approve **technical or minor** adjustments **and return to the Board of Trustees with substantial adjustments** to the fiscal year 2012 operating budget including tuition and fees based on the final outcome of the 2011 legislative session.

7. REVENUE FUND SALE – NORMANDALE COMMUNITY COLLEGE PARKING RAMP (*Second Reading*)

Brian Yolitz, Associate Vice Chancellor for Facilities, presented the second reading of the proposal for new on-campus parking to remedy an upcoming parking deficit and to alleviate current parking constraints at Normandale Community College. The college proposes an approximately \$12 million, 724-stall parking ramp that would be financed through the sale of revenue bonds.

The College has used 300 stalls of off-campus parking at the city's ice arena site near campus that sees heavy use in the early fall and spring semesters, and also at other peak times during the semesters. With recent enrollment spikes and on-campus parking being taken up by current and planned building projects, the city has asked the college to develop a long-term, on-campus solution to meet projected parking deficits.

Presentations were made to Moody's Investor Service and to Standard and Poor's on the proposed sale. The projected credit rating is the same as the system's most recent issuance (Aa2/AA-). The past outlook was "stable" but the possibility of a future "negative" outlook is possible considering the state's budget circumstances.

[Note: The Vice Chancellor was subsequently advised that current ratings were affirmed by both agencies.]

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

RECOMMENDED MOTION:

The Board of Trustees authorizes a Revenue Bond sale for not more than \$12,500,000 subject to the sale parameters as presented on Attachment B. The Board of Trustees approves the Series Resolution as described in Attachment C.

8. ST. CLOUD STATE UNIVERSITY BOOKSTORE INCOME CONTRACT OVER \$3M (Action Item)

Steve Ludwig, Vice President of Administrative Affairs for St. Cloud State University, and Diana Burlison, Associate Vice Chancellor for Administrative Affairs, requested 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. St. Cloud State University currently has an agreement with Follett Higher Education Group, Inc. for the operation of the Husky Bookstore.

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 also provides on-line book ordering. 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.

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

RECOMMENDED MOTION:

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.

9. ONLINE STUDENT SUPPORT CENTER INTRA-AGENCY AGREEMENT
(Action Item)

Todd Digby, System Director for Libraries, requested approval to amend the intra-agency agreement between the Office of the Chancellor and Northwest Technical College as fiscal agent for Distance Minnesota. The amended intra-agency agreement with Northwest Technical College, estimated to total \$635,000 in FY 2012 will have the cumulative effect of taking the value of the contract beyond the \$3,000,000 threshold for approval through internal processes. Mr. Digby noted the total cost of the contract to be \$4,200,000. The motion in the prepared materials had an incorrect mathematical calculation.

The agreement covers the costs of staffing for student and learner support, marketing and student relationship management, data and technical support, and administration; equipment maintenance and updates; license maintenance and updates, marketing costs, and memberships (in relevant distance education organizations). Extension of the agreement is endorsed by the Minnesota Online Council, an advisory committee comprised of faculty, students, and administration. Users are satisfied with the work of the Online Student Support Center.

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

RECOMMENDED MOTION:

The Board of Trustees approve extending the current intra-agency agreement until June 30, 2012 between Minnesota State Colleges and Universities and Northwest Technical College acting as fiscal agent for Distance Minnesota for estimated total expenditures not to exceed \$4,200,000. The Board directs the Chancellor or his designee to execute all necessary documents.

Chair McElroy adjourned the meeting at 10:50 a.m.

Respectfully submitted,
Nancy Lamden, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MEETING MINUTES
August 4, 2011**

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

***Other Board Members Present:** Brett Anderson, Duane Benson, and Cheryl Dickson. Trustees Alfredo Oliveira, David Paskach, Tom Renier, Louise Sundin, and Michael Vekich joined by telephone.*

***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 August 4, 2011, 4th Floor, World Trade Room, 30 East 7th Street in St. Paul. Chair McElroy called the meeting to order at 1:00 p.m.

FY2012 Capital Budget Request Amendment – Vice Chancellor King thanked the Trustees for their availability on short notice and recognized the tremendous gift of time Board members have made to the system in the past month.

Chancellor Rosenstone opened the committee with a brief review of the recent bonding activity at the legislature. He had been briefed on the Board's June discussion regarding the FY2012-2017 capital budget proposal and offered his assurance that the project review process rigor would continue and that emphasis on the reduction of space will be increased. That said, there are strong arguments for advancing the Metropolitan Science building at this time. The committee will hear a staff presentation and the president is with us today as well. The Chancellor is recommending amendment of the 2012 capital program to add the construction funds for the project and looks forward to a good committee discussion. Chair McElroy recognized Chancellor Rosenstone for his opening remarks and asked Brian Yolitz, Associate Vice Chancellor for Facilities, to give the Committee a briefing in support of the recommendation to the Board to revise the Capital Budget Request.

Mr. Yolitz reported that the FY2012 capital budget request submitted to the Board in June was approved for \$344.2 million, with 31 design and construction projects and initiatives totaling \$234.2 million. The balance of the request totaling \$110 million is directed at Higher Education Asset Preservation and Replacement (HEAPR) projects that will be distributed across the system. On July 21, 2011, Governor Dayton signed a bonding bill that included \$131.586 million for the Minnesota State Colleges and Universities, providing \$30 million for HEAPR projects and \$101.586 for six construction projects and one major design project.

All six construction projects and the design project approved in the FY2011 bonding bill were on the FY2012 Board approved list. The Board's intent in approving the FY2012 list was to remove those requirements funded in FY2011. The result is a FY2012 Board approved capital program totaling \$246.684 million with \$110 million for HEAPR and \$136.684 for 24 projects and initiatives.

The Metropolitan State University Science Education Center design has been funded as part of the FY2011 bonding bill. Actual design work is expected to be completed by the end of the FY2012 legislative session and if construction would be immediately funded, classes could be held in the new space in the fall of 2014, two years earlier than under the current plan. If the project is delayed until FY2014, the cost of the project will increase by \$2.8 million and if delayed until FY2016, the increase will be \$6 million because of inflation.

This campus is physically the smallest state university yet the fourth highest in FYE and third highest in head count of the state universities. Metropolitan State University is the only state university in the system with no dedicated science building; it currently only has two limited wet lab spaces. The project addresses many elements in the Board's Strategic Plan including the increase of baccalaureate programming in the metropolitan area, enhanced access to underrepresented groups and provides capacity to increase STEM instruction within the system.

Adding the construction phase of the Metropolitan State University Science Education Center to the FY2012 Board approved capital program would create a total program request of \$277.684 million with \$110 for HEAPR and \$167.684 for 25 projects and initiatives.

In referring to Attachments A and B, Trustee Hightower inquired how, even with the proposed revisions, the project ranked 16th. Mr. Yolitz responded that there is a scoring process and it is reflective of the overall needs for the system. The project's placement on the list is identical to its placement in 2010. The placement has moved up as other projects received funding. Vice Chancellor King asked Mr. Yolitz to recap Attachment A and B. Mr. Yolitz explained that Attachment A displays that when the FY2011 funded projects are removed the total of the request is reduced from \$344.2 million to \$246.7 million. Attachment B is the revised recommendation to the board taking these changes into consideration.

Trustee Englund inquired about long term demands that would validate the project. President Hammersmith joined the committee and responded that there is continued growth and demand in biology and science majors, along with a need for a professional science masters program. There is industry demand for chemists, chemistry teachers, and biologists. There are over 100,000 students in the two year institutions' pipelines and Metropolitan State University does not

have the capacity to serve them. Additionally, the Minnesota Transfer recommendation is for students to take two science courses. Currently, the requirement is only one science course due to Metropolitan State's limited facilities.

Chancellor Rosenstone confirmed that students cannot be served properly with the existing lab facilities, adding that the system is in a good position to build from scratch. He stated it is a "must do" project in order for Minnesota State Colleges and Universities to meet its goals.

Trustee Van Houten stated that this revision implies a commitment to Metropolitan State and there is not promise for funding and without the assurance of funding that Metropolitan State is unable to move forward by hiring faculty and developing curriculum. He added that many of the two year colleges have state of the art labs and Metropolitan State should look to partnering with them. Chancellor Rosenstone responded that if the board acts today and the legislature would approve it, we will be two years ahead with the project and experience a cost savings as noted by Mr. Yolitz.

Vice Chancellor King added in an ordinary year, staff would recommend design funds in one bill and construction funds two years later. Because of the lost year in staging, the cycle for this proposal is not the norm.

Geoff Dittberner, Minnesota State College Student Association (MSCSA) President, advocated on behalf of the MSCSA Board to prioritize current and backlogged HEAPR projects. Vice Chancellor King responded that there were strong HEAPR results for FY2010 and FY2011 with \$82 million of \$110 million in requests funded.

Trustee Van Houten suggested overruling the scoring project because according to the attachments, there are still three other science projects ahead of the Metropolitan State University request. Trustee Hightower added that in this case timing matters to get the request approved in order to better serve students and as a long term cost saving measure.

Trustee Hightower moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Vekich seconded the motion. The motion prevailed with Trustees Krinkie and Van Houten dissenting.

RECOMMENDED MOTION:

The Board of Trustees approves the updated FY2012-2017 Capital Budget as presented in **Attachment B**, specifically the projects and priorities for FY2012. In approving funds for design, the Board stipulates that it reserves final approval of later construction spending and priority to such projects versus others that may

later be considered. The Chancellor is authorized to make cost and related adjustments to the budget as required, and to forward the Capital Budget to the Governor for consideration in the FY2012-2017 state capital budget. The Chancellor shall advise the Board of any subsequent changes in the Capital Budget prior to the 2012 legislative session.

Chair McElroy adjourned the meeting at 1:42 p.m.

Respectfully submitted,

Laury Anderson, Recorder

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

Agenda Item Summary Sheet

Committee: Finance, Facilities and Technology **Date of Meeting:** October 18, 2011

Agenda Item: Hobsons Contract Approval

- 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. The proposed action item is for Board approval to renew the software licensing and professional/technical services contract with Hobsons and ApplyYourself (hereinafter Hobsons), estimated to total \$5,000,000 through the end of December 2015.

Scheduled Presenter(s): Associated Vice Chancellor of Finance Colin Dougherty

Outline of Key Points/Policy Issues:

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.

Background Information:

Minnesota State Colleges and Universities entered into a three year contract with Hobsons beginning December, 2008. The contract was amended on May 6, 2010 to ensure that the seventeen participating institutions receive full enrollment benefits. The proposed action item seeks Board approval to exercise an existing renewal option extending the contract term to December, 2015.

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

BOARD ACTION
Hobsons Contract Approval

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 to amend and extend the software licensing contract with Hobsons and ApplyYourself (hereinafter referred to as Hobsons), estimated not to exceed \$5,000,000 through the end of December 2015.

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. The proposed action item seeks Board approval to exercise the renewal option to December 23, 2015 and at the same time, amend the contract to synchronize the term for all colleges and universities. Currently each college and university has a different renewal date for the Hobsons modules selected; through this amended contract all colleges and universities will have their renewal dates synchronized and experience additional savings by adhering to a fixed price renewal period.

To date, nineteen (19) colleges and universities have paid Hobsons approximately \$2,000,000. The contract with Hobsons is optional for each college and university; each college and university selects from Hobsons modules and pays fixed discounted contract pricing. If one college or university had negotiated with Hobsons, they would have on average paid 40% more than the rate obtained by multiple colleges and universities working together, facilitated by the Campus Service Cooperative. The new contract is thereby estimated to saving the participating colleges and universities in excess of \$3,000,000 over the term.

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. Hobsons products are not seen as competing with Minnesota State Colleges and Universities communication module. There are no plans for integration work with Office of the Chancellor - ITS nor will ITS provide any hosting services. A majority of college and university admissions directors support extension of the Hobsons contract.

Some services provided by Hobsons require that each institution share protected non-public information on all enrolled students. To ensure this data remains protected while in the

control of Hobsons, the Information Security Office conducted a review with Hobsons employees to determine the adequacy of technology controls. This review found controls to be adequate. As such, the Information Security Office and Information Technology Services management do not object to extending this contract with Hobsons. Further, the contract includes language binding the vendor to security protection standards.

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.

RECOMMENDED BOARD OF TRUSTEES ACTION

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

Date Presented to the Board: October 18, 2011

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: October 18, 2011

Agenda Item: Learning Management System Contract Approval

- 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*, requires pre-approval by the Board of Trustees for contracts valued greater than \$3 million dollars.

Scheduled Presenter(s): Darrel Huish, Vice Chancellor and Chief Information Officer

Outline of Key Points/Policy Issues: This request is to seek Board of Trustees approval of a proposed license agreement with Desire2Learn Ltd. for the delivery of Minnesota State Colleges and Universities learning management system. The contract includes 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.

Background Information:

The licensed software is the core learning management system used to support all Minnesota State Colleges and Universities on-line and blended/hybrid credit and non-credit courses. Approximately 100,000 students annually are engaged in on-line blended/hybrid courses for academic credit using the current Desire2Learn Ltd. contract. The Minnesota State Colleges and Universities use of the learning management system has grown substantially from 1,110 courses in the spring of 2004 to over 25,000 courses in the fall of 2011.

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

BOARD ACTION
Learning Management System Contract Award

BACKGROUND:

The purpose of this report is to seek Board of Trustees approval of a proposed contract with Desire2Learn Ltd. for the purchase of an enterprise Learning Management System solution for the Minnesota State Colleges and Universities. 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 not to exceed \$14,500,000 dollars. *Board Policy 5.14, Procurement and Contracts*, requires pre-approval by the Board of Trustees for contracts valued greater than \$3,000,000 dollars.

In 2004, Minnesota State Colleges and Universities migrated all of its online courses to Desire2Learn Ltd.'s Learning Management System. The centralized solution has streamlined administration, improved system reliability, and offers a uniform learning environment to all students. Enrollment in online and blended/hybrid credit and non-credit courses has grown from 1,110 courses in the spring of 2004 to over 25,000 courses in the fall of 2011. The number of students served has increased substantially from 23,000 students in 2004 to more than 100,000 in 2011. In addition to handling assignments, discussion forums, and other content, the Learning Management System processes approximately 20,000 quizzes each day. The Minnesota State Colleges and Universities goal is to offer 25 percent of its credits online by 2015.

During the last 18 months, the Instructional Management System (IMS) Advisory Council solicited feedback from faculty, students and members of the administration in preparation of Learning Management System Request for Proposal (RFP) (see appendix for list of IMS membership). The RFP was published in June 2010, in the State Register with five vendor responses. The RFP proposals were evaluated by a sub-committee of the IMS Advisory Council. The evaluation criteria included financial, technical, and functional requirements. The analysis of the proposals quantified the conversion and implementation costs from the existing system to a new solution including: cost of new hardware, software licensing, ISRS integration, help desk, staff training, and the effort for faculty to transition to a new solution. In June 2011, the evaluation team conducted a three day oral interview with the vendor with the lowest conversion and implementation cost. An objective question and answer session addressed functional and technical requirements. The final day reviewed the cost of services and MnSCU's expectations of the proposed service level agreement. After satisfying all of the RFP requirements, Desire2Learn Ltd. was chosen as the best value and best qualified to meet the system's technical requirements.

This request is to seek 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.

Ten Year Investment (Projected)						
Item	Year 1 - 6	Year 7	Year 8	Year 9	Year 10	Total
Base Contract	\$4,800,000	\$ 950,000	\$ 990,000	\$ 1,000,000	\$ 1,100,000	\$ 8,840,000
Support Fees	\$1,535,000	\$ 300,000	\$ 315,000	\$ 330,000	\$ 350,000	\$ 2,830,000
Optional Licenses	\$1,560,000	\$ 295,000	\$ 310,000	\$ 325,000	\$ 340,000	\$ 2,830,000
Total	\$7,895,000	\$ 1,545,000	\$ 1,615,000	\$ 1,655,000	\$ 1,790,000	\$ 14,500,000

The annual cost of licensing includes a base contract, support fees and optional licenses. The proposed price escalation for the ten year investment is either the Consumer Price Index (CPI) or 5% whichever is greater. This is a decrease from the current price escalation of 10%. The Base Contract is funded by Minnesota Online through a campus assessment fee based on the number of online credits taken per campus. Support fees are funded by the central ITS budget. Optional Licenses may be funded by Minnesota Online or by individual campuses.

RECOMMENDED COMMITTEE MOTION:

The Finance and Facilities Committee recommends the Board of Trustees adopt the following 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.

RECOMMENDED BOARD 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.

Presented to the Board: October 18, 2011

INSTRUCTIONAL MANAGEMENT SYSTEM ADVISORY COUNCIL

MEMBERSHIP 2011-2012 (25 members)

CHARGE: To advise the Senior Vice Chancellor for Academic and Student Affairs on academic requirements pertaining to the operation of current and future instructional management systems (e.g., Desire2Learn) used by Minnesota State Colleges and Universities.

EXECUTIVE COMMITTEE MEMBERS: *Karen LaPlant, Rhonda Ficek, Thomas Hergert, Jamie Nordstrom, Manuel López and Lesley Blicker*

REPRESENT	TERM START	TERM ENDS	MEMBER	PHONE	EMAIL
<i>College Student (1) MSCSA</i>		06/2011	Cory Rahn Technology Liaison @ Anoka Ramsey	763-258-4855	crahn1@my.anokaramsey.edu
			Alison Norman Director of Policy, MSCSA	651-297-5877	anorman@mscsa.org jmedearis@mscsa.org
<i>University Students (1) MSUSA</i>		06/2011	Shannah Moore Mulvihill Director of University and System Relations, MSUSA	651-224-1518	smoore@msusa.org
<i>College Faculty (4), MSCF</i>			Vacant (formerly Mark Plenke)		
			Pat Parsons (on hold) Riverland Community College	507-433-0826	Pat.Parsons@riverland.edu
			Cammie Lamey (on hold) Minnesota State Community and Technical College-Moorhead	218-299-6838	Camelia.Lamey@minnesota.edu
		06/2012	<i>Karen LaPlant, VICE CHAIR*</i> Instructor, Information Technology Hennepin Technical College	763-488-2471	Karen.Laplant@Hennepintech.edu
<i>University Faculty (4) IFO</i>	From beginning of Council (Nov 2004)	06/2011	David Bouchard (on through Nov with possibility of continuing) Metropolitan State University	612-659-7284	David.Bouchard@metrostate.edu
	From beginning of Council (Nov 2004)	06/2011	<i>Rhonda Ficek, PAST CHAIR*</i> Faculty, Instructional Technology Minnesota State University Moorhead	218-477-2339	ficek@mnstate.edu

	09/2008	06/2011	Thomas Hergert, CHAIR* Professor, InforMedia Services St. Cloud State University	320-308-0984	trhergert@stcloudstate.edu
	9/2010	2 year (through 6/2012)	Donna Brauer Academic Affairs Coordinator IFO	651-227-8442 X 19	brauer@ifo.org Larsson@ifo.org finch@ifo.org
Campus Library (1)	05/2009	06/2011	Russ Dennison Winona State University	507-457-5143	rdennison@winona.edu
Chief Academic Officer (1)	ASA to seek new appoint- ment from CAOs if Sally needs to get off Council	6/2011	Sally Johnstone Winona State University Seeking replacement	507-457-5010	Sjohnstone@winona.edu BSass@winona.edu
Chief Information Officer (1)	01/2007	06/2013	John Rohleder Century College	651-779-3496	John.Rohleder@century.edu
Campus IMS Site Administrator (1)	9/2010	06/2012	Jeffrey James Henline Minnesota State University Mankato	507-389-2323	jeffrey.henline@mnsu.edu
Campus IMS Trainers (1)	9/2010	06/2012	James Deacon, Inver Hills Community College	651-450-3709	jdeacon@inverhills.mnscu.edu
Campus President (1)	ASA		Vacant – seeking replacement		
OOC ITS Division (3)	01/2007	Ex- officio (voting)	Jamie Nordstrom ITS Finance and Administration Director, Office of the Chancellor	651-201-1607	Jamie.nordstrom@csu.mnscu.edu sonya.castillo@so.mnscu.edu Christine.benner@so.mnscu.edu Darrel.huish@so.mnscu.edu
	09/2008	Ex- officio (voting)	Penny Dickhudt System Director, MnSAT Office of the Chancellor	651-297-4811	Penny.Dickhudt@so.mnscu.edu
	09/2008	Ex- officio (voting)	Chuck Morris System Developer, D2L Office of the Chancellor	651-201-1503	Chuck.Morris@csu.mnscu.edu

OOA ASA Division (3)	2009	Ex-officio (voting)	Manuel M. López* Associate Vice Chancellor Office of the Chancellor	651-201-1664	Manuel.lopez@so.mnscu.edu Margie.takash@so.mnscu.edu
	2009	Ex-officio (voting)	Lesley Blicher* Director of IMS Learning and Next Generation Technology Office of the Chancellor	651-201-1413	Lesley.Blicher@csu.mnscu.edu Shelly.heller@so.mnscu.edu
		Ex-officio (voting)	Vacant , CTL –checking status Office of the Chancellor		
OOA Library (1)	2005	Ex-officio (voting)	Todd Digby System Director of Libraries Office of the Chancellor	651-649-5759	Todd.Digby@csu.mnscu.edu
Minnesota Online Representative (1)		Ex-officio (voting)	Sheri Steinke Chair Minnesota Online Council	763-488-0430	sheri.steinke@normandale.edu
Staff Resources to the IMS Council & Others interested to receive information					Karen.Wenz@csu.mnscu.edu charles.kroger@csu.mnscu.edu Dawn.leech@mnsu.edu Michele.VanGemert@educationminnesota.org greg.mulcahy@educationminnesota.org gary.hunter@so.mnscu.edu joseph.lehman@mnsu.edu Michael.condon@mnscu.edu Cathy.rajtjar@so.mnscu.edu Paul.wasko@so.mnscu.edu Michal.Moskow@metrostate.edu dproctor@anokatech.edu guntis.dombrovskis@metrostate.edu Susan.platt@so.mnscu.edu Scott.olson@so.mnscu.edu Tim.price@so.mnscu.edu Anne.stowell@so.mnscu.edu h.erpestad@lsc.edu

Changes: Contact: shelly.heller@so.mnscu.edu

Updated 1-16-2011

INFORMATION

IFO MnSCU Committee Representatives

<http://www.ifo.org/mnscucommittees.htm#IMSAC>

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

Agenda Item Summary Sheet

Committees: Finance and Facilities

Date of Meeting: October 18, 2011

Agenda Item: Tuition waiver request - Northland Community & Technical College

- 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 5.12, *Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers*, states that a college or university president “may waive amounts due to the college or university for individual institutional waivers as approved by the Board.”

Northland Community and Technical College (NCTC) is requesting Board approval for a tuition waiver for courses in the Unmanned Aerial Systems program.

Scheduled Presenter(s): Deborah Bednarz, Director of Financial Planning and Analysis
Ann Tempte, President, Northland Community and Technical College

Outline of Key Points/Policy Issues:

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.

Background:

Development of the Unmanned Aerial Systems program has been partially funded by a grant from the Department of Labor. NCTC’s Federal Project Officer has issued a final determination that courses funded by the Department of Labor grant may not generate tuition, resulting in the need for the college to request permission to establish a temporary tuition waiver for students enrolled in grant funded courses.

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

ACTION ITEM

**TUITION WAIVER REQUEST - NORTHLAND COMMUNITY &
TECHNICAL COLLEGE**

INTRODUCTION

Board Policy 5.12, *Tuition and Fee Due Dates, Refunds, Withdrawals and Waivers* provides that a college or university president “may waive amounts due to the college or university for individual institutional waivers as approved by the Board.” Under this policy, Northland Community and Technical College (NCTC) requests permission to waive tuition for courses in the Unmanned Aerial Systems (UAS) program that have a prefix of UAST.

BACKGROUND

Northland Community and Technical College, as part of their on-going partnership with the aviation industry, developed a one-of-a-kind Unmanned Aerial Systems program in response to industry demands. The program is a 30 credit certificate program, and of those 30 credits, 22 are UAST credits and 8 are computer classes (CPTR).

As part of this program development, the college applied for and was granted \$5.3 million from the Department of Labor under the American Recovery and Reinvestment Act. Many aspects of the relationship between college and student are governed by specific provisions of the grant and its related documents. One such relationship is the charging of 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.

Semesters impacted by this ruling include the current academic semester (Fall 2011), plus Spring 2012, Fall 2012 and a portion of Spring 2013. For spring semester 2013, the college is allowed to charge prorated tuition due to the fact that the grant period ends on February 28, 2013. No courses are currently scheduled to be offered during Summer, 2012.

As illustrated in Table 1 on the following page, the projected value of waiving the tuition is approximately \$500,000 over the waiver period.

Table 1

Academic year 2012:	288 credits x \$300.00	\$ 86,400
Academic year 2013:	750 credits x \$300.00	\$225,000
	700 credits x \$300 x .67 (proration)	<u>\$140,700</u>

TOTAL **\$452,100**

The impact of the requested waiver and loss of tuition revenue has been incorporated into the college's finance plan for the program.

CONCLUSION

NCTC requests a waiver of tuition for students enrolled in UAST courses during fall and spring semesters of academic year 2012, fall semester of academic year 2013, and a portion of spring semester 2013.

RECOMMENDED COMMITTEE ACTION:

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

RECOMMENDED BOARD OF TRUSTEES 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.

Presented to the Board: October 18, 2011

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: October 18, 2011

Agenda Item: Minnesota State University, Mankato Housing Lease

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

Cite policy requirement, or explain why item is on the Board agenda: Minnesota State University Mankato seeks approval to enter into a 252-bed off-campus apartment building lease to start in fall semester 2012. Total consideration for the lease (including all options to renew) exceeds \$3 million, which requires approval by the Board of Trustees pursuant to Board Policy 5.14.

Scheduled Presenter(s): Brian Yolitz, Associate Vice Chancellor of Facilities
Richard Davenport, President,
Minnesota State University, Mankato

Outline of Key Points/Policy Issues: The University plans to decommission the 1150-bed Gage Residence Hall, and wishes to lease off-campus beds to meet expected student demand. In April 2011, the university solicited local landlords for proposals for apartment buildings that could be made available to the university, starting in the 2012-13 academic year. Seven proposals were submitted and the University selected Stadium Heights Apartments located 2 blocks from campus at 755 Heron Drive, Mankato.

Background Information:

The university's residential life master plan outlines a strategy to diversify and modernize the mix of housing units offered to students while eliminating a significant backlog of deferred maintenance. This plan addresses renovations, new construction, decommissioning and leasing. The Residential Life program is in the seventh year of active implementation of this plan. The university's Residential Life group will manage the off-campus apartments in a manner similar to their on-campus residence halls.

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

ACTION ITEM
Minnesota State University, Mankato Housing Lease

REQUEST

Minnesota State University Mankato seeks approval to enter into a 252-bed off-campus apartment building lease to start in fall semester 2012. Total consideration for the lease (including all options to renew) exceeds \$3 million, which requires approval by the Board of Trustees pursuant to Board Policy 5.14.

BACKGROUND

The university's residential life master plan, most recently updated in 2009, outlines a strategy to diversify and modernize the mix of housing units offered to students while eliminating a significant backlog of deferred maintenance. This comprehensive plan addresses renovations, new construction, decommissioning and leasing. The Residential Life program is in the seventh year of active implementation of this plan.

The university's new construction portfolio includes the 600-bed Julia Sears Residence Hall, which opened in 2008, and the 300-bed Margaret Preska Residence Community, scheduled to open in 2012.

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.

OFF CAMPUS APARTMENT LEASE

In April 2011, the University published a Request for Information in the Mankato Free Press soliciting local landlord proposals for apartment buildings that could be made available to the university, starting in the 2012-13 academic year. The proposal sought a one year term with four (4) x 1 year options to renew in favor of the university.

Approximately 8-10 landlords attended the information meeting, and seven submitted proposals. After an extensive review process, the University selected Stadium Heights Apartments located 2 blocks from campus at 755 Heron Drive, Mankato.

The university entered into lease negotiations, and a summary of major lease terms are contained below:

Start Date: August 1, 2012

End Date: July 31, 2013 (with 4 x 1 year options to extend the term)

Units: 84 - 3 bedroom apartments

Beds: 252 bedrooms

Rent: \$1,372,800 Year 1
\$1,372,800 Year 2 (option)
\$1,372,800 Year 3 (option)
\$1,413,984 Year 4 (option) 3% increase
\$1,413,984 Year 5 (option)

Total Rent \$6,946,368 if all renewal options were exercised

The rate includes all utilities, except internet and cable TV services, which will be provided under the existing Residential Life internet and cable contracts. The university will furnish the apartments.

The university's Residential Life group will manage the off-campus apartments in a manner similar to their on-campus residence halls. Residence hall fee rates for the apartments have not been formalized yet, as they will be part of the student consultation process for fee and tuition rates for FY2013 that the Board will consider next spring.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends the Board of Trustees adopt the following 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.

RECOMMENDED BOARD OF TRUSTEES 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.

Presented to the Board: October 18, 2011

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: October 18, 2011

Agenda Item: Construction Project, Riverland Community and Technical College

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

Cite policy requirement, or explain why item is on the Board agenda: The Hormel Foundation is proposing to finance the renovation of 22,000 sq. ft. at the Riverland Community College for an early childhood education center that would be operated by a day care provider. The college seeks Board approval to continue working with the Hormel Foundation and eventually executing the necessary agreements to accomplish this project.

Scheduled Presenter(s): Brian Yolitz, Associated Vice Chancellor of Facilities
Terry Leas, President, Riverland Community and Technical College

Outline of Key Points/Policy Issues: The Hormel Foundation supplies funding to support the community needs in Austin, MN. The Foundation has identified the need for additional space for early childhood development and child care.

There is underutilized space in the west building at Riverland Community College which could be used for the day care location. The number of children served would increase from 190 to 300.

The approximately \$3 million project would be financed with a \$2 million grant from the Hormel Foundation and the Foundation coordinating matching grants from other community businesses and funding sources for the remaining capital need.

Background Information: The potential space is currently used for facilities storage and as a receiving/loading area for campus operations. The campus currently hosts KSMQ, a local public television station, and Apple Lane day care, in the west building. If a vendor such as Apple Lane is selected to run the expanded early childhood center, it would allow the college to reduce its underutilized space and operational costs, all without college or other public monies.

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

ACTION ITEM
Construction Project, Riverland Community and Technical College

REQUEST

The Hormel Foundation is proposing 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 coordinating matching grants from other community businesses and funding sources for the remaining capital need. The college seeks Board approval now to continue working with the Hormel Foundation and eventually executing the necessary agreements to accomplish this project.

BACKGROUND

Riverland Community College’s updated facilities master plan identified areas of underutilized space on the Austin campus, primarily in the west building. Some of the underutilized space is attributable to consolidating programs and to mothballing special purpose space, such as high bay program areas. The college’s leadership team sought to bolster overall utilization rates, which included the potential for a community partnership. In addition to academic programming, the campus currently hosts KSMQ, a local public television station, and Apple Lane day care, in the west building.

The Hormel Foundation is the philanthropic arm of the Hormel Corporation. One of its purposes is to supply funding to Austin area qualified organizations that will address community needs. One of the higher priority needs identified by the Hormel Foundation is for additional capacity in early childhood development and child care in the city of Austin. As the Hormel Foundation started publicizing the community need, college leadership offered the storage/receiving space on campus as a potential candidate for reuse as an early childhood/day care location.

The subject space is located on the far westerly side of the Austin campus’s west building, and was formerly used for the Agricultural Diesel program. The space is currently used for facilities storage and as a receiving/loading area for campus operations. The space is located in what’s known as building “D,” although the building is attached to the west campus and not a stand-alone building. The current storage/receiving area shares approximately one-half of building D with the automotive collision repair program. An update to the former Agricultural Diesel space would be expected to remove up to \$1.15 million of deferred

maintenance in building D, and has the potential to reduce the overall building Facilities Condition Index (FCI) from 0.21 to 0.11.

The college currently leases space to Apple Lane Day Care to operate in the west building. An expanded early childhood education center will serve a greater number of children (from 190 to 300). If a vendor such as Apple Lane is selected to run the expanded early childhood center, it would allow the college to reduce its underutilized space and operational costs, all without college or other public monies.

CURRENT PROPOSAL

Improvements: The current 22,000 sq. ft. former agricultural diesel shop will be remediated, remodeled and renovated for an early childhood education center. The shop is currently being used by the college's Facilities department for storing grounds equipment and for receiving operations.

Costs: Current estimates predict a \$3.3-\$3.5 million renovation, including payment of prevailing wages. The cost of the project continues to be reviewed, discussed and revised.

Source of Funds: The Hormel Foundation has committed \$2 million to the project. In addition, the Hormel Foundation is coordinating donations from other community businesses and funding sources.

Design/Construction: The project will adhere to the system's design and construction standards. The Hormel Foundation has already undertaken preliminary schematic design and would be the lead party for ongoing architectural planning, construction project development, bids, and related activities. The college intends to engage the Foundation in constructing the improvements.

Use: The college will issue a Request For Proposals for a vendor to serve as the childcare provider in the new facility. The parties contemplate that the childcare provider will enter into a lease with the college for the newly improved space. The childcare provider will be responsible for paying all operating costs related to the building addition, including property maintenance, miscellaneous repairs, utilities, janitorial, and a reserve set aside. There may be opportunities for programmatic coordination between the child care provider and the college, although the college has not yet established an early childhood program.

Schedule: The Foundation anticipates a 6-8 month renovation schedule upon final approval to proceed.

The final determination of the legal participation of the various parties is yet to be finalized.

COLLEGE'S RISKS

Potential risks for the college accepting this capital-improvement opportunity and entering a lease with the childcare provider consist of five elements:

1. Upfront Financial Risk: The college could be at risk without a guarantee that adequate capital is available to complete the renovation. The Hormel Foundation has \$2 million committed to the project, and will require an additional \$1-\$1.5 million committed to renovate the building. Evidence should be provided that the Foundation has the resources to cover the expected total project cost, which is estimated to be as much as \$3.5 million.
2. Construction/Performance Risk: The college should ensure that the project adheres to the system's design and construction standards. The college is relying on the Hormel Foundation to manage the construction with oversight by the college. Given past use of the space, a high degree of environmental remediation may be required to bring it to a level that would allow day care use.
3. Tenant Risk: The college could be at risk of a tenant default and could be required to repurpose the space if operations are unsuccessful as an early childhood center.
4. Long-term / End of Use: Expectations are that this will likely be a long-term use of currently underutilized space. The college may need to retain the flexibility to reuse the space at the end of term or insert a new tenant if the selected tenant is unable to deliver the services as expected in the space.
5. Total Ownership Cost: The college intends to mitigate its financial risk to the extent possible. The college is not paying for the capital investment to renovate the space and is requiring the tenant to cover its own operating costs and reserves for repairs and replacement.

Staff will work with the college to assure the following conditions prior to final contracts:

1. The project shall adhere to all relevant system design and construction standards. Satisfactory evidence shall be provided to the system that the space has been remediated consistent with established standards to allow a day care use.
2. The Hormel Foundation shall provide satisfactory evidence of adequate capital funding to finance the full cost of the renovation.
3. No college or public monies will be used in the renovation or operations of this Project that would otherwise be provided by the Hormel Foundation grant or applicable day care tenant.

4. The college shall undertake a public bidding process to select a tenant with an appropriate financial and operational profile to successfully operate the early childhood center.
5. Execution of a lease agreement with a tenant to operate the new early childhood development center.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves this project with all documents to be reviewed by the Chancellor's designee prior to execution.

RECOMMENDED BOARD OF TRUSTEES MOTION:

The Board of Trustees approves this project with all documents to be reviewed by the Chancellor's designee prior to execution.

Presented to the Board: October 18, 2011

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

Agenda Item Summary Sheet

Committee: Finance and Facilities

Date of Meeting: October 18, 2011

Agenda Item: Reallocation of Revenue Bond Proceeds, St. Cloud State University

Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
 Information

Cite policy requirement, or explain why item is on the Board agenda: St. Cloud State University is seeking approval to restructure the way it is proposing to finance a portion of construction for Phase I of the National Hockey and Events Center.

Scheduled Presenter(s): Brian Yolitz, Associate Vice Chancellor of Facilities
Earl Potter, President, St. Cloud State University
Steve Ludwig, Vice President for Administration

Outline of Key Points/Policy Issues: 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.

Background Information: In March 2010, the Board approved the development plan for the Phase 1 and 2 construction contracts for the addition and renovation of the National Hockey Center valued at approximately \$23 million. It was expected that inspections, testing, furnishings, fixtures, equipment, contingency and other costs would total approximately \$3.7 million for the two phases. After approximately \$1.7 to \$1.8 million in general obligation bonds proceeds had been spent, the state's bond counsel advised that the amount of private, taxable use occurring in the arena from the sale of commercial rights in the building would likely jeopardize the tax exempt status of the state's general obligation bonds being committed to the project. The bond counsel's analysis effectively nullified the university's ability to use the remaining \$4.8 million of general obligation bond proceeds. The university has since worked extensively with the Attorney General's office to fashion a new agreement between the university and the foundation to structure the financing of the foundation's contribution to the project.

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

ACTION ITEM
Reallocation of Revenue Bond Proceeds, St. Cloud State University

REQUEST

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.

BACKGROUND

The Board approved the construction of an addition and renovation of the National Hockey and Events Center on the St. Cloud State University campus during its meeting in March 2010. At that time, the Board approved the development plan for the Phase I and Phase II construction contracts valued at approximately \$11 million and \$12 million respectively, and the funding agreement between the university and the St. Cloud State University Foundation, valued at approximately \$23 million. At the time, it was expected that inspections, testing, furnishings, fixtures, equipment, contingency and other costs would total approximately \$3.7 million for the two phases. The chancellor was authorized to negotiate the agreement with the foundation contingent upon approval of the documents by the Office of the Attorney General.

The Phase I improvements to the building would add an approximately 50,000 sq. ft. addition and renovate approximately 20,000 sq. ft. of the existing facility. A sketch delineating the Phase I and Phase II work on the center is attached and incorporated by reference as **Attachment A**. As part of the original financing structure, \$6.5 million of general obligation bond funds were authorized in the 2008 bonding bill to improve the facility, which comprised approximately one-half the cost of the Phase I improvements. The general obligation appropriation appeared in the Employment and Economic Development section of the bonding bill, where regional public events centers are typically authorized and funded. The university's foundation would supply the remaining balance of funds necessary to construct Phase I by donations and by selling sponsorships and naming rights to the arena.

During the course of design work and after approximately \$1.7 to \$1.8 million in general obligation bonds proceeds had been spent, the state's bond counsel advised the Attorney General's office and the university that the amount of private, taxable use occurring in the arena from the sale of commercial rights in the building would likely jeopardize the tax exempt status of the state's general obligation bonds being committed to the project. The bond counsel's analysis effectively nullified the university's ability to use the remaining \$4.8 million of general obligation bond proceeds.

Meanwhile, a sizable portion of the foundation's contribution to the project rested on the foundation's ability to manage the sale and marketing of commercial rights to the arena to support its capital contribution. On a parallel legal analysis, the university faced difficulties in structuring an agreement with the foundation that would allow the foundation to market and sell the commercial rights to the arena comprised mostly of naming rights to generate the portion of the foundation's capital contribution to the project. The university has since worked extensively with the Attorney General's office to fashion a new agreement between the university and the foundation to structure the financing of the foundation's contribution to the project. The revised agreement includes management of commercial sponsorships, including advertising signage on the rink, score boards, banners, seats and suites advertisement, sponsor recognition in printed materials, pouring rights and public recognition over the public address system.

PROPOSED SOLUTION

The university proposes solving the Phase I shortfall by placing the Phase I addition to the National Hockey and Events Center in the revenue fund. The revenue fund statute and bond indenture allows for the Board to declare physically severable portions of facilities as a revenue fund facility. Funding the approximately \$5.2 million will come from two sources: 1) using \$3 million worth of existing taxable revenue bond proceeds already set aside to advance design work for future projects and to fund off-cycle projects that may arise, and 2) an approximately \$2.2 million loan from the university's existing revenue fund reserves in their residential life program, which includes \$400,000 to pay at least one debt service payment on the bonds prior to the opening of the building. 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. No new student fees will be charged to support this facility in the revenue fund, and there are no expected additional costs to the system-wide revenue fund for this financing structure.

Provided the marketing agreement can be finalized between the university and the foundation, the foundation will be providing the remaining funds necessary to construct Phase I and all of Phase II. The total revised development cost for Phase I (including the renovation of the existing arena) is approximately \$15.3 million, which includes approximately \$8.2 million from the foundation and \$6.5 million from university resources, including the revenue fund taxable bonds and the loan from residential life reserves.

The taxable bonds recommended to be used for this project were sold without designated projects at the time of the original sale. It is management's practice to sell sufficient excess taxable bonds to allow for design or to otherwise advance project work between sales, and carry the debt service until the debt is used by a particular project. When a campus seeks to use taxable bond proceeds, the proceeds and related debt service payment obligation is transferred from the system to the campus. After accounting for the \$3 million in taxable bond proceeds going to St. Cloud State University, the system will have \$500,000 in taxable bonds available for other work prior to the planned 2013 revenue fund sale. There are no immediate demands for these proceeds, although discussions are ongoing with prospective campuses.

The university currently pays \$1.73 million in annual debt service for its residential hall program, and carries a projected balance of \$4.6 million in reserves for FY2012 after taking into account the loan to the National Hockey Center. The remaining reserves for FY2012 will be equivalent to 4.7 months of operating reserve. The minimum acceptable level of operating reserves is 3 months. The use of their proposed residential life reserves for the Hockey Center will temporarily result in a reduction of reserves to approximately \$3.2 million in FY2013, which still maintains approximately 3.2 months of operating reserves before trending back upward in FY2014. The reserve projections assume the university seeks a \$13.5 million residential hall renovation project financed by a 2013 revenue bond sale.

As part of this overall effort, the system will be seeking legislative accommodation in 2012 by asking for the conversion to HEAPR of the \$4.8M left over in the general obligation bond appropriation originally directed to the hockey project. This particular HEAPR appropriation would then be made available to St. Cloud State to help offset some of their ongoing repair & replacement (R&R) obligations.

RECOMMENDED COMMITTEE ACTION:

The Finance and Facilities Committee recommends the Board of Trustees adopt the following 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.

RECOMMENDED BOARD OF TRUSTEES 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.

Presented to the Board: October 18, 2011









