

**MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD OF TRUSTEES**

**FINANCE AND FACILITIES COMMITTEE**

**MEETING MINUTES**

**March 21, 2012**

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

*Other Board Members Present: Trustees Brett Anderson, Duane Benson, Cheryl Dickson, David Paskach, Louise Sundin, and Scott Thiss*

*Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, and President Joe Opatz*

The Minnesota State Colleges and Universities Finance and Facilities Policy Committee held its meeting on March 21, 2012, 4<sup>th</sup> Floor, McCormick Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair McElroy called the meeting to order at 8:52 a.m.

**1. MINUTES OF JANUARY 2012**

The minutes of the January 17, 2012 meeting were approved as published.

**2. FINANCE AND FACILITIES UPDATE**

Vice Chancellor King reported that the Ford Motor Company notified the State of Minnesota in December 2011 of their intent to start decommissioning their St. Paul manufacturing plant starting in June 2012. This includes the joint Ford – United Auto Workers – Minnesota State Colleges and Universities (MnSCU) training center. The system office has been approached to participate in an effort to save the facility and has declined the offer.

**Ford Center** - The State of Minnesota owns the building on a 138 acre site and Ford owns the land and the training equipment. A joint use agreement governs the use and operations of the facility. MnSCU's use of the facility has been very limited over the last several years, largely due to a sharp decrease in demand for training to Ford employees. Early termination of the lease requires Ford to pay an early termination fee to the state of \$1.9 million. MnSCU campuses have access to ample, accessible teaching space and did not indicate an interest in preserving access to this facility. Vice Chancellor King added that the facility is located in the center of a ten year plus redevelopment project needing extensive ground water, utility, and roadway work and preservation of the facility. Further, the training facility would require a capital investment of at least \$1 million in order to continue functional operations. Trustee Sundin expressed disappointment in the decision because she felt the site was in a good location for metro expansion possibilities. Vice Chancellor King responded that MnSCU presidents felt that it would require too

large of an investment to turn the site into something useful and that there are many other properties on the market that would be better prospects. She noted that Metro State is midway through an RFP for metro expansion.

**Legislative update** - At the legislature, there has been strong support for the Continued Operations bill, which would allow MnSCU to access its cash in the event of a state shutdown. So far, it has passed both higher education committees and is off the Senate floor.

As the revenue fund legislative proposal was developed, meetings and email exchanges have been taking place with the two student associations. Vice Chancellor King acknowledged the strong testimony and positive impact of Amanda Bardonner, President of MSUSA (four year association). The MSCSA (two year association) has recently expressed opposition to capacity additions for college projects which has brought some risk to the proposal. MSCSA has indicated they would like additional discussions with staff. A revenue fund authority of at least \$405 million will keep university planning on track for 2013 and 2015.

The FY2012 Capital Program was presented to the House and Senate by Chancellor Rosenstone and Associate Vice Chancellor Brian Yolitz. More information on the status of the program should be known by the April Board meeting. Trustee Hightower inquired about the request that was made by the system and the current standings. Mr. Yolitz responded that the Board requested \$278.7 million; the Governor's recommendation came in at \$111.8 million, and the House at \$56.4 million. Yolitz is hopeful that tide will change when the Senate takes up the bill.

**2013 Operating budget planning** - Guidelines were released in late February based upon the Board's FY2012-2013 operating budget planning guidelines and materials will be provided to the Board for the May meeting. The planning recommendation for university tuition increases is at or below five percent. The colleges are capped in statute at four percent. No appropriation reduction is expected for FY2013.

**Campus Service Cooperative** - The Campus Service Cooperative is in the early stages of partnering with the Department of Administration to leverage their master contract through the Data Analytics program. This program promises a streamlined process in which MnSCU can bring on additional temporary resources to accelerate the initiative in areas of project management, business analysis and change management. This will help the Campus Service Cooperative better meet the growing needs of the schools and the system office.

The Board will get an overview of Project 2022 at the April Board meeting.

**MMB agreement** - Minnesota Management and Budget (MMB) continues to seek MnSCU's assistance in meeting its cash flow needs. In March, MMB drew down an additional \$120 million in cash from MnSCU to help meet the state's cash flow obligations stemming from income tax refunds and school payments. The current

outstanding balance is \$570 million. Under the agreement with MMB, MnSCU's cash balance cannot fall below \$100 million and balances should be fully restored by June. Vice Chancellor King added that MMB has been a good partner in the past and she is confident the funds will be repaid on schedule.

### **3. FY2014-2019 Capital Budget Guidelines – 1st reading**

Associate Vice Chancellor Brian Yolitz presented the first reading of the Capital Budget Guidelines for projects to be considered for approval as part the Board's FY2014-2019 Capital Budget Request. He reviewed the overarching principles which include taking care of current assets, making campus space more efficient and flexible, mothball or demolish space which is no longer viable and obtain new square footage only when the requirement is alignment with the strategic framework. Trustee Hightower asked how principles had changed since the last review of the guidelines. Mr. Yolitz responded that the main change is no net gain in square footage systemwide. New construction will occur only when all other options are deemed non-viable and they must align with the Strategic Framework. Chancellor Rosenstone added that all projects presented will be rational for the campus, the system and the region.

Mr. Yolitz emphasized that there must be the right supply of space for the programs that are offered and noted the importance of being efficient and effective in the administration of programs. Trustee Hightower asked about programs that were approved but not funded. Mr. Yolitz said those projects would be reviewed to ensure they align with the strategic framework and workforce demand. As the 2014 request is being developed, there will be an expanded look at FY2016 and FY2018 so the Board can have full visibility beyond the current bonding cycle.

Trustee Van Houten said that the emphasis on no net gain is a different policy than what has been presented in the past and creates a complicated balancing act between new projects and Higher Education Asset Preservation and Replacement (HEAPR). Vice Chancellor King responded that she uses the number of net square footage over time as a reference point. Since the merger took place, even with large construction projects, there has been an increase of only 1.2 million square feet on a base of 25 million square feet over the last ten years. With an emphasis on reinvesting, reconfiguring and right sizing, the focus has pushed the investment to current buildings. The question is what is the reinvestment requirement and how will it be funded.

Trustee Hightower asked if unfunded projects could lose their priority. Mr. Yolitz said that there is potential for that to happen. Even though investments have been made, some projects date back to 2006 and were designed in a different environment with different requirements. Vice Chancellor King said that the system faces a conflict with the process and the reality of funding. She also noted there was a backlog from FY2010 that was reevaluated before the FY2012 list was presented. All of those projects went back though the scoring process. Based on changes in funding, the priority list of projects could shift.

Trustee Englund said that while he was aware that MnSCU is not in the business of renting space, he would like to see a push for community and business to rent unused space. Mr. Yolitz responded that it is desirable to partner for efficiency and demolish as a last resort.

Trustee Dickson commended the system for absorbing huge enrollment growth in the past without huge expansion and for working toward what is best for the system and right now that means no net increase in square footage.

Trustee Van Houten asked about the priorities of eliminating duplication and expanding workforce needs. Mr. Yolitz responded that those items are addressed in being the partner of choice and that collaboration of programs is embedded in the guidelines.

#### **4. Minnesota State College – Southeast Technical Transportation Building Addition Approval**

Associate Vice Chancellor Brian Yolitz presented the request for Minnesota State College, Southeast Technical to proceed with construction contracts for their transportation building addition project of their Winona campus.

Southeast Technical plans to use the sale proceeds of the Aviation Training Center building at the college's Winona campus to construct a 25,000 square foot Transportation Center addition to their existing truck driver training building at a cost of \$3.8 million. The campus also plans to complete campus road enhancements to improve traffic flow and pedestrian safety totaling \$390,000. The campus intends to use its own operating funds to finance the differential between the sale proceeds and the project cost. Trustee McElroy asked what is currently on the property and Mr. Yolitz replied that it is vacant square footage requiring drainage and does not disrupt parking or other campus activity.

Trustee Englund 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 authorizes construction contracts that collectively exceed \$3 million for the Minnesota State College – Southeast Technical Winona campus Transportation Building Addition project, subject to the Chancellor or his designee's approval of final design documents and project costs.

#### **5. Refunding of Revenue Bonds Series A and B and Reauthorization of Guarantee for St. Cloud State University Projects**

Associate Vice Chancellor Brian Yolitz brought forth a request for the Board to approve the issuance of refunding bonds to refinance tax exempt and taxable revenue bonds originally issued in 2002 by the system.

The original sale occurred February 1, 2002 and totaled approximately \$36 million, of which \$23,545,000 were tax exempt revenue bonds (Series A) and \$12,730,000 were taxable revenue bonds (Series B). The 2002 sale was the first revenue bond sale undertaken by the MnSCU after the merger and it was designed to address long-standing deferred maintenance facilities issues. The bonds have a 20 year maturity date but are callable after ten years. Mr. Yolitz would like to exercise this option because more favorable interest rates will produce a projected savings of up to \$3.3 million over ten years. The average annual savings would be \$370,000 including the cost of issuance (\$135,000). The savings will be dispersed to campuses and will reduce the amount owed to the revenue fund. Vice Chancellor King added that 25% of the sale was for St. Cloud State University, so St. Cloud students will experience an approximate 25% savings. Mankato students will also experience savings.

Mr. Yolitz called on Mark LaMay from Springsted Financial Advisory Services to give a recap of the transaction. Mr. LaMay reported that the city's Housing and Redevelopment Authority (HRA) issued the bonds in 2002 to the St. Cloud Foundation for athletic facilities, to be paid back by the proceeds from the use of those facilities. The system provided a Revenue Fund guarantee of timely payment of regularly scheduled bond principal and interest, giving them a high rating. The refinancing request mirrors the same transaction but with a more desirable interest rate.

Trustee Englund asked if there were other opportunities to exercise this kind of savings. Mr. Yolitz responded that the next opportunity would not be until 2015 and that would depend on economic conditions and interest rates.

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

**RECOMMENDED MOTION:**

The Board of Trustees approves the following:

1. The Series Resolution attached hereto as **Attachment C**, providing for the issuance of refunding bonds to refund the tax exempt Series 2002A and taxable Series 2002B revenue bonds.
2. The execution of a guarantee in a form substantially similar to the guarantee attached hereto as **Attachment E**, providing for the guarantee of payment of the refunding bonds to be issued by the St. Cloud Economic Development Authority to refund the 2002 revenue bonds previously issued by the St. Cloud Housing and Redevelopment Authority and guaranteed by the Board.
3. Authorizes the Chancellor or his designee to take such action as may be necessary to complete the transactions noted above, including, without limitation, providing to the Trustee for the Series 2002A Bonds, the Series

2002B Bonds and the St. Cloud Bonds such consent or direction that they may require to provide for the optional redemption of such bonds, as described here.

**6. Revenue Fund Reallocation – Alexandria Technical and Community College**

Associate Vice Chancellor Brian Yolitz presented Alexandria Technical and Community College's request to repair its parking lots in part with excess revenue fund 2009 sale proceeds. There is a remaining balance of \$500,000 which has not been planned for and bond counsel recommends that bond proceeds be used within three years of a bond sale.

The college currently estimates a total project cost of approximately \$800,000, of which \$500,000 will be from the 2009 taxable revenue fund bonds and \$300,000 will be contributed from the campus's parking reserves.

The initial student fee impact is projected to be \$2.40 per credit in FY13 (\$72/year full time). The term of the debt is ten years and will be supported by parking fees.

The benefit to the college is that it can leverage the revenue fund along with its parking lot reserves to complete the update this year instead of next year, and the college's entry into the revenue fund will place the remaining system level revenue fund taxable debt with a worthwhile project.

Trustee McElroy inquired if the bonds were taxable and Mr. Yolitz respond that they were, as all tax exempt funds have been allocated to other projects.

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

**RECOMMENDED MOTION:**

The Board of Trustees approves the following:

The Board authorizes the Chancellor or his designee to reallocate the approximately \$500,000 plus any earned interest of 2009 Series B taxable revenue bond proceeds to Alexandria Technical and Community College for renovating its campus surface parking lots.

**7. Microsoft Campus Agreement Contract Approval**

Marty Gang, Associate Vice Chancellor ITS – Infrastructure and Chris McCoy, Associate Vice President IT – Metropolitan State University presented and sought Board approval for the Microsoft Campus Agreement Contract.

Mr. Gang stated that this three year contract allows the colleges, universities and system office to purchase software and licenses in collaboration for an additional

savings of 6.5% over and above the educational discounts offered to campuses acting individually.

Mr. McCoy reported this effort is part of the service delivery strategy lead by Vice Chancellor Darrel Huish. He reported the Microsoft contract entered into in 2009 is coming to an end and the system is ready to embark on the second contract. This contract allows campuses to provide the latest version of similar software that students would experience in the workforce. Trustee McElroy asked who the competitors would be in the competitive bidding process described in the Board materials. Mr. Gang replied that Microsoft has five licensed partners in the region and would be invited to compete in the RFP.

Trustee McElroy asked if the software pertains to the laptop program at Winona State and to students interested in purchasing it for themselves for use on their own personal computers. Mr. McCoy said each institution can choose their products and pay for their usage which includes an at home use feature. Trustee Dickson asked if the software would be erased on the laptops of students graduating from Winona that wanted to purchase them. Mr. Gang understood that the students would keep the software loaded, but he would like to confirm that and report back.

Trustee Van Houten asked about the role that the Campus Service Cooperative played in this agreement. Vice Chancellor King said that the Campus Service Cooperative managed the project and was able to bring scale and leveraging opportunities. She confirmed the total consideration is expected to exceed \$3 million, but not to exceed \$4.5 million. Mr. Gang added there will be only one contract and each campus will have its own license and decide what they will purchase and use. Chancellor Rosenstone said this is an opportunity to use a customizable standard platform with state of the art technology that will save money systemwide.

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

**RECOMMENDED BOARD MOTION:**

The Board of Trustees approves the system-wide Microsoft Campus Agreement for the period of July 1, 2012 through June 30, 2015 and the competitive source process described in this narrative, not to exceed \$4.5 million, subject to final approval by the Chancellor or his designee.

Chair McElroy adjourned the meeting at 9:58 a.m.

Respectfully submitted,

Laury Anderson, Recorder