

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

April 18, 2012

Finance and Facilities Committee Members Present: Trustees Jacob Englund, Clarence Hightower, Philip Krinkie, 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 April 18, 2012, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Trustee Vekich, chairing for Trustee McElroy, stated that a quorum was present and called the meeting to order at 9:08 a.m.

1. MINUTES OF March 21, 2012

Trustee Van Houten referred to page 8 of the minutes, paragraph two, **Minnesota State College – Southeast Technical Transportation Building Addition Approval**, which reads: 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. Trustee Van Houten stated that verbiage of the March minutes implied that the flow of funds from the sale goes into the college's reserve and can be used for other projects. Vice Chancellor King replied that special legislative authority was received in order to build the addition and that the wording correctly reflected the transaction.

The minutes of the March 21, 2012 meeting were approved as published.

2. FINANCE AND FACILITIES UPDATE

Legislative Update – The legislature is still in session and there is no word on the omnibus bill which includes the Revenue Fund and the Continued Operations. The bill is waiting to be taken up on the floor in both bodies. After House and Senate adoption, the differences will be addressed in conference committee. The Governor is in support of the Continued Operations bill and the expectation is that it will pass. There is no news to report on the capital bill. The tie between Minnesota State Colleges and Universities' (MnSCU) capital request and its contribution to the state's workforce improvement has been communicated. Chancellor Rosenstone and the system presidents have been good spokespersons for the bill. Trustee Hightower asked what the options are for the Governor once the bill is presented. Vice Chancellor King responded that the two

legislative bodies will bring their positions to the conference committee. Once they settle the bill, it cannot be altered on the floor. Once it is presented to the Governor, he can sign it, line item veto it, veto it altogether or decline to sign which has the effect of passage.

FY2013 Budget Planning – Campus budget requests are due at the end of April and the FY2013 Budget will have its first reading in May and the second reading in June. The Board can expect level enrollment, level state support and tuition restraint overall. Presentation materials have been updated and refined to reflect the strategic framework. The Board will see summary information, individual school information and student consultation letters in advance.

FY2012 Committee Goals – Substantial progress has been made on the FY2012 Finance committee goals which support a commitment to systemwide sustainability. The Board will see updates on Project 2022 and the Campus Service Cooperative today. Vice Chancellor King commended her staff for their hard work on both projects.

Facilities Conference– Campus and system office facilities, safety and environmental compliance employees attended the Facilities Conference held at the system office April 11-13. The conference provided a strong focus on changes to facilities staffing strategies and statewide compliance and training efforts. The conference was well attended and good feedback has been received. Materials from the conference have been posted on the facilities website.

St. Cloud State University Refunding – The sale is scheduled for May 15, 2012. Document drafting and legal work is underway. The rating calls are scheduled for the week of April 23rd and the receipt of the ratings is expected the week of April 30th.

Bergwall Arena – The arena procurement at Red Wing campus of Minnesota State College – Southeast Technical was completed March 30. The Board approved the procurement during their January meeting. The project is now in the hands of the college.

Minnesota Partnership for Executive Leader Development Program – System Finance and Facilities staff (deans, vice presidents and senior administrators) participated in a Human Resources coordinated event along with University of Minnesota (U of M) on March 27th. The focus was to prepare emerging MnSCU and U of M leaders to step into an executive or presidential role with information and lessons associated with finance, facilities, administration and IT at the campus level. Trustee Sundin inquired if this program would limit opportunities for those outside the system. Vice Chancellor King responded that the focus was in growing internal leaders and not meant as a recruiting tool. The hiring process for MnSCU has recruiting tools in place to help draw qualified candidates.

3. PROJECT 2022 OVERVIEW

Vice Chancellor King introduced Deb Bendarz and Matt McInnes from the Financial Planning and Analysis unit to present the Project 2022 overview. Project 2022 is an

Excel-based financial projection tool being built to help MnSCU leaders understand and plan for a changing financial landscape with the capacity to build different scenarios by asking “what if” questions. The project supports the Board’s 2012-2014 action plan, calling for a fiscal sustainability agenda which draws on the collaborative and creative capacity of the system. The project also supports the strategic framework and its goal of creating and executing a long-term sustainable financial strategy to ensure affordable, excellent academic programs that meet the state’s workforce and community needs.

The Finance division, Academic and Student Affairs division and an advisory committee provide direction and feedback in Project 2022’s development. The goal was to create a tool that could analyze how changes in key variables and their relationships impacted the financial outlook over time and to assist with long-term financial planning.

The prototype is accrual based with FY2011 audited financial statements as the base year data. Currently it provides a systemwide projection, and individual campus information is planned for the next phase. Ms. Bednarz added that users should keep in mind that projections are only estimates. Ms. Bednarz explained that the interrelationships between the modules feed into the revenue and expense projections. Assumptions can be made for enrollment, compensation, tuition and fees, appropriations, GO bonds, purchase services and supplies. Data on building expenses, depreciation, financial aid, other revenues and expenses, and revenue fund are factored in, but the user cannot enter assumptions on them.

The development of the Enrollment assumptions is led by Craig Schoenecker. The development of forecasting capabilities is not complete, but the analysis is underway using regional information, economic factors and census data. Currently, users are able to make their own assumptions on enrollment growth. Project 2022 has a Funds Filter which allows users to choose between all funds, the general fund or the revenue fund. It is an important option because based on the fund chosen, very different results can occur.

Trustee Van Houten asked if depreciation is an accounting number or if the program viewed it as an expenditure, taking into account repair or replacement. Ms. Bednarz replied that because Project 2022 is an accrual model, the depreciation numbers come from the audited financial statements.

Trustee Hightower asked if scenarios are created for a given year if the results are just for that one year or if they are projected out. Ms. Bednarz said the results will span out through all the years but there is work being done to be able to customize the scenarios year by year, especially for the first five years out.

The next steps will be to complete the enrollment module based on demographics, build future Composite Financial Index (CFI) projections with the balance sheet, model changes in the revenue fund, analyze the impact of financial aid and develop a campus level prototype. Trustee Englund asked what the outcomes are of incorporating the CFI. Vice Chancellor King said that adding balance sheet items such as assets and non-cash

will drive viability ratios and sustainability. The CFI will help the users to understand the balance between cash and accrual to CFI. The impact of revenue fund and financial aid will also be built into the modeling in the future. Ms. Bednarz said they are in the process of identifying a college and/or university partner and volunteers have already emerged. Trustee Vekich asked how soon before a partner is selected and if that would be one institution, or if it would be one of each – a college and a university. Ms. Bednarz said she hopes a decision will be made in the next couple of weeks and that the partner or partners would be the decision of the advisory committee. She added that Normandale is working with a vendor that does similar, but much more complex work. The vendor is allowing her team to compare the tools and outcomes.

Trustee Vekich asked who owns the documentation and who can change the formulas. Ms. Bednarz said that the documentation comes from the Financial Planning and Analysis unit and Matt McInnes is its keeper. The ability to change the formula at a campus level versus the system office would depend on where and how the information is being pulled. The advisory group will also work on this.

4. CAMPUS SERVICE COOPERATIVE UPDATE

Associate Vice Chancellor Colin Dougherty introduced President Wynes and President Davenport who both serve on the Campus Service Cooperative (CSC) Leadership Committee. President Davenport said he is proud to be a member of the CSC team which is made up of eight system presidents and three system office staff. He said the focus of the CSC is to transform the delivery of services throughout the system by embracing best practices and work together in the cloud through virtual common work queues across member campuses. The project supports the strategic framework by providing the highest value/most affordable option to services.

President Wynes reported that to date two leadership team meetings have taken place. Behind the scenes operations such as business office operations, payroll, and human resources can be reconfigured and the work shared. The CSC is currently going through an RFP process, seeking out a vendor who can help with business process development and strategic sourcing. The vendor presentations are scheduled for April 23rd at Harmon Place.

Mr. Dougherty acknowledged those serving on the CSC Leadership Committee. He said the tag line of “One Team, Many Campuses” resonates in that talent is being leveraged systemwide to identify best practices in quality, compliance and efficiency and using technology to eliminate some of the work. As an example, business expense forms are processed in many different ways. If the process was standardized, the work would not pile up in the case of a vacancy or absence at a campus.

Trustee Van Houten inquired what determines the location of where the work will be done. Mr. Dougherty said that metrics will naturally help identify where the work can go and just because it is being completed at one location today, doesn't necessarily mean that it is rooted there forever.

Trustee Anderson asked how audits are affected by shared work. Vice Chancellor King responded that working cooperatively will create a challenge to recreate the control environment and rethink the audit process. Conceptually it is a buyer and seller relationship and there are internal controls, oversight and supervision that comes with the services. Mr. Dougherty added that there could be an advantage from the compliance perspective of separation of duties if someone else is doing the work at a different location. Chancellor Rosenstone added that the system office is not making the decisions for campuses to use the CSC services – it is up to the presidents and their leadership team to decide what makes sense for them. The incentive for on board campuses is that when savings are realized by using the CSC services, the savings goes to the campus for reinvesting in academic programs.

Trustee Dickson said that she can see a human resources component where standardizing processes and sharing work could change and standardize position descriptions. This is a huge opportunity for the presidents because of the flexibility of the services that the CSC offers them.

Trustee Van Houten asked if there could be a future capital budget request to redo a space or lease a building as the services of the CSC expands. Vice Chancellor King answered that the 2014 capital guidelines indicate value for partnerships between campuses, however, administrative spaces are generally covered internally and she does not see a need emerging.

Trustee Sundin asked if the CSC would be focusing on other areas such as foundation in the future. Mr. Dougherty said that the CSC could expand to other areas, but the focus had been on the standardizing business offices, human resources, and financial aid processes. Chancellor Rosenstone added that many ideas have surfaced and the list is growing but services currently need to be developed and provided in areas that provide the fastest, biggest return for the campuses.

In closing, Vice Chancellor King stated that the Executive Branch of the Governor's Office has invited Chancellor Rosenstone and Mr. Dougherty to an event on shared services today and they are delighted to be asked to attend.

5. FY2014-2019 CAPITAL BUDGET GUIDELINES – 2nd Reading

Associate Vice Chancellor Brian Yolitz presented the second reading of the FY2014-2019 Capital Budget guidelines for approval today by the Finance Committee and the Board of Trustees. He noted that, as in the past, the guidelines support the Strategic Framework by ensuring access to extraordinary education for Minnesotans, be the partner of choice for workforce and community needs, deliver the highest value/most affordable option for education and workforce alignment.

The overarching principles include taking care of what exists, make campus space more efficient and flexible, mothballing or demolishing what is not longer viable, and consider new square footage when there are no other options and the project aligns with the strategic framework. Projects brought forth must align with workforce needs and support Science, Technology, Engineering and Math (STEM), health and technical

programs. There remains the understanding that the basic building blocks found in general studies and liberal arts will always remain a key component.

Mr. Yolitz said that projects unfunded in 2012 will have to be looked at for prioritization. Only 16 of 25 of MnSCU project and initiatives have some support, and of those, only four have support from the Governor's office, House and Senate.

Projects that are not included will be reflected upon again in 2016. They will be looked at to see if they are still valid and align with workforce needs. The list will be prioritized in relation to emerging requirements. Some may need to be repackaged. The board will also get a look at 'out-year' projects for 2016 and 2018 so they can see what is on the horizon.

The timeline includes the approval of the guidelines today, followed by the predesign phase in the summer. Projects will be evaluated and scored in December and January. Once the Chancellor makes his recommendation, the board will review and approve the projects in May and June of 2013.

Trustee Krinkie stated that the funding landscape is changing and he senses that MnSCU is not on the priority list. Mr. Yolitz responded that there is a lot that can be learned from regional workforce studies and decisions will be based on the demand. Trustee Hightower added that the House and Senate are respectful of the integrity of the information that is presented to them.

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

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the FY2014-2019 Capital Budget guidelines as presented.

Trustee Vekich adjourned the meeting at 9:58 a.m.

Respectfully submitted,

Laury Anderson, Recorder