

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

June 20, 2012

Finance and Facilities Committee Members Present: Chair Dan McElroy, 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, Alfredo Oliveira, and Scott Thiss

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

The Minnesota State Colleges and Universities Finance and Facilities Policy Committee held its meeting on June 20, 2012, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair McElroy called the meeting to order at 9:00 a.m.

1. Minutes of May 15, 2012

The minutes of the May 15, 2012 Finance Committee meeting were approved as published.

2. Minutes of Joint Human Resources and Finance Committee May 15, 2012

Minutes of the Joint Human Resources and Finance Committee held on May 15, 2012 were approved as published.

3. Finance and Facilities Update

Vice Chancellor Laura King was happy to announce that Minnesota Management and Budget repaid the final \$370M in cash flow assistance to Minnesota State Colleges and Universities (MnSCU) in early June. All funds are now repaid and the books are ready to close.

In March the Board approved the issuance of refunding bonds to refinance tax exempt and taxable revenue bonds originally issued in 2002 by the system. The sale took place on June 19, 2012. The savings on the sale was estimated to be \$3.3M, and actual savings resulted in \$4.5M due to lower than expected interest rates (1.83% on tax exempt bonds and 2.02% on taxable bonds). The 2002 sale mainly supported projects at St. Cloud State University; therefore, the savings will be passed onto students enrolled there through reduction in fees. MnSCU's next opportunity for Revenue Fund refunding will be in 12 – 15 months.

MnSCU will have over \$40M of design and construction work underway this summer and more projects will begin this fall. The FY2014 capital program development guidelines were released to campuses. 2013 Revenue Fund planning is underway with projects totaling approximately \$75M. Vice Chancellor King visited Normandale Community College and complimented their new parking ramp and noted work is underway for the new Partnership Center.

Upon the completion of Trustee McElroy's term as Chair of the Finance and Facilities Committee, Vice Chancellor King commended and thanked Chair McElroy for his excellent leadership.

4. FISCAL YEAR 2013 OPERATING BUDGET

Vice Chancellor King reported that the changes from the first reading of the FY2013 Operating Budget are summarized on pages 11 – 12 of the Board report. The additional information was provided as requested by the Board during the May meeting. Those items include the addition of the Leveraged Equipment Program, fee changes at Moorhead, St. Cloud State, and Hennepin Tech, information concerning fees charged for online courses and information on schools whose fees increased more than 10%.

Vice Chancellor King stated that the budget objectives align with the Strategic Framework, address the reallocation of funds to meet emerging priorities, keep tuition increases at a minimum, improve efficiency and productivity, mitigate risks and look at a multi-year perspective.

Over \$76 million has been reallocated over the 2012-2013 biennium, reducing over 500 programs and impacting over 500 faculty and staff positions. Some of the resources will be reallocated to higher priorities and others will be used to balance the budget.

Since 2000, state support per MnSCU student had declined by 45% in constant dollars. Tuition will account for 60.9% of revenue in 2013. This is a complete reversal of the relationship in FY2000 when state appropriation represented 67.4% and tuition accounted for 32.6% of revenue.

Because of the increased efficiency and productivity of the colleges and universities, the cost of educating a MnSCU student is down 10%. Systemwide, the average tuition increase for FY2013 is 3.7% at the colleges and 4.4% at the universities. Even with these moderate increases, MnSCU continues to offer the highest value, most affordable education option compared to other Minnesota options. Vice Chancellor acknowledged the hard work and great leadership of the presidents, faculty and staff throughout MnSCU.

The proposed FY2013 All Funds Operating Budget reflects an increase of 1.9% in revenue and 2.1% in expenses, resulting in a \$9.4M budget balance. This unbudgeted balance is less than ½ of 1% of revenue. Trustee Hightower asked Vice Chancellor King for more detail. Vice Chancellor King explained that based on a \$2B budget, a \$9.4M

unbudgeted balance is a conservative number taking into account numbers are based on assumptions including enrollments, occupancy of residence halls and state appropriation, etc. on the revenue side and faculty contracts, utilities, unanticipated equipment failures, etc. on the expense side. Chancellor Rosenstone added with 13 months remaining out from the close of next fiscal year, \$9.4M is the only cushion provided.

Vice Chancellor King proceeded with the presentation and said that the Revenue Fund budget is flat overall and the details of the Revenue Fund are included in the attachments.

New and reallocated resources are made up of new tuition revenue (\$27M), new state support in the Leveraged Equipment program (\$.5M), other revenues (\$9.9M) and reallocated funds (\$22.9M). Investments include new academic program and student services (\$25M), compensation increases (\$28M), and facilities and equipment (\$7.3M). While final costs are unknown, schools have budgeted 2% for compensation increases as a part of the base budget in this report.

Vice Chancellor King asked the Board to approve the motion on page 35 which includes adoption of the operating budget, approve the tuition structure, approve the Revenue Fund program, approval of the Moorhead residential life fee and approval of the Northland UAS tuition waiver.

Trustee Hightower referred to slide 5 and asked what will be the future steps if declining state support continues. Vice Chancellor King responded that presidents have continued to reallocate their budgets each year and that employees have gone without wage increases for three years. There is opportunity on the academic side in the way of coordination and collaboration. Good work is being done on the administrative side through the Campus Service Cooperative. Vice Chancellor King said we are at the cusp of having to make some choices because there are consequences of operating on such a tight budget and called on President Hanson and President Opatz for their perspective. President Opatz said that his administration and staff have worked diligently to balance their budget in creative ways and that he is optimistic that the legislature has a better understanding of higher education funding issues and the trend of reducing higher education will stop. President Hanson said that his focus is on student success and partnering with non-traditional sources to keep costs down and improve efficiency.

Trustee Krinkie asked what Vice Chancellor King considered to be the greatest risk to MnSCU. Vice Chancellor King answered that Chancellor Rosenstone has set very aggressive strategic directions and the presidents will be hard pressed to move the student success and access agenda along with the workforce program and baccalaureate expansion in the metro area given the tight fiscal environment.

Trustee Oliveira asked what happens to the tuition differential revenues that are collected. Vice Chancellor King said that it funds many things such as labs, materials, and study abroad programs that have costs associated with them. Part of the FY2013 workplan is to bring more clarity on how differential tuition is used.

Trustee Benson asked Vice Chancellor King to comment on enrollment projections at the campuses. Vice Chancellor King responded that it is common for the campuses to project low, so if enrollments are higher there is additional revenue. If enrollment comes in below projections, there would be potential cuts. Schools are monitored and there are rarely any surprises in the enrollment numbers because the CFOs are experienced at this.

Trustee Benson asked President Hanson and Opatz if they ever have discussion at Leadership Council regarding only subsidizing students who are very high need, opposed to a universal policy of assistance. President Opatz responded that it is a systemwide conversation. Vice Chancellor King noted 4 – 5 years ago a study was done that determined that there are not enough high income students distributed throughout the system to support a cross-system subsidy. Chancellor Rosenstone added that in Minnesota, 100% of grants are need based and the colleges and universities are engaged in fundraising for scholarships both for achievement and need. A high tuition/high aid model does not create accessibility.

Trustee Van Houten said in the future he would like to see how the rates are determined by the campuses once their allocation is received and then shared with the Board.

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

RECOMMENDED COMMITTEE MOTION:

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

- a. Adopt the annual total operating budget for FY2013 in Table 6. Pursuant to 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 FY2013 as detailed in Attachments 1A through 1E.
- c. All tuition increases are effective Summer Term or Fall Term 2012 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 FY2014 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, and non-credit instruction, continuing education, and contract postsecondary enrollment option programs.
- e. Approve the Revenue Fund and related FY2013 fees for room and board, student union, wellness and recreation facilities, and parking ramps/surface lots as

detailed in Attachments 2A through 2D, including any housing fees that the campuses may charge for occupancy outside the academic year. Approve the FY2013 fees structure for room and board for colleges who either own or manage student housing as detailed in Attachment 2E. 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 FY2014 recommendations are presented to the Board of Trustees.

- f. Approve Attachment 3 authorizing for Minnesota State University Moorhead to charge a Residential Learning Community fee beginning Fall 2012.
- g. Approve 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 cohort 1 for summer term 2012, fall semester 2012, and a prorated portion for spring semester 2013. The waiver is also approved for cohort 2 for spring semester 2013, fall semester 2013, spring semester 2014, and a prorated portion of fall semester 2014.

5. PROPOSED BOARD POLICY 1C.4 FIDUCIARY DUTY – SYSTEM PENSION PLANS – SECOND READING

Vice Chancellor King reported that the first reading of the proposed policy came before the Joint Meeting of Human Resources and Finance and Facilities last month and has been circulated internally to presidents, CFOs, and CHROs. It has been amended to include Board approval of the Investment Advisor as requested by the committee discussion. That change is shown in Part 4 of page 73.

Vice Chancellor King had previously shared the document with IFO representatives Don Larsson and Russ Stanton and they requested to speak on behalf of the IFO. A handout was distributed to the Board that included suggested additions to the policy. Mr. Larsson and Mr. Stanton had no objections to the policy but asked for more clear disclosure on participant fees and revenue sharing from vendors which are vital for the oversight of the plan.

Trustee Vekich moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Englund seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE ACTION:

After consultation with the Human Resources Committee, the Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves Policy 1C.4 Fiduciary Duty – System Pension Plans as shown in Attachment A.

6. ST. CLOUD TECHNICAL AND COMMUNITY COLLEGE – ACQUISITION OF 1520 WHITNEY COURT, ST. CLOUD, MINNESOTA (HEARTLAND CLINIC)

Greg Ewig, Director of Real Estate and Facilities, began by stating that Board policy requires Board approval for real property acquisitions funded by campus operating monies valued at or greater than \$1.0 million or one percent (1%) of the college or university annual operating budget.

Mr. Ewig showed a map of the property which is adjacent to the campus. The clinic is moving and approached the campus regarding its purchase. The college would renovate and use the clinic for a library on the first floor, and a student center on the second floor which would include a veteran's center, student senate offices, student clubs and the property would provide for additional parking.

Trustee Vekich moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Hightower seconded the motion. The motion prevailed with Trustee VanHouten voting in dissent.

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the acquisition of the Heartland Clinic, 1520 Whitney Court, St. Cloud, Minnesota, subject to final approval of the purchase agreement terms by the Chancellor or his designee and completion of all required due diligence.

7. NORTHLAND COMMUNITY AND TECHNICAL COLLEGE – THIEF RIVER FALLS – PROPERTY SURPLUS ACTION

Greg Ewig, Director of Real Estate and Facilities, asked the Board to declare the single-family residential property located at 1020 Centennial Drive (known as the Swenson House) Thief River Falls, Minnesota, as "surplus" and authorize the property for sale. The house was donated by Lowell and Marjorie Swenson in 2002 and is situated on approximately five acres of land along the shores of the Red Cedar River. The property is considered prime real estate and is no longer used by the college. The lack of functionality and high operational costs no longer warrants keeping it under MnSCU's ownership.

Trustee Englund inquired if the property had any threat of flooding. Mr. Ewig responded that the home is in the 100 year flood plain but it has not had flooding issues.

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

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the designation as surplus and authorizes for sale the residential property located at 1020 Centennial Drive, Thief River Falls, Minnesota, and directs the Chancellor or his designee to execute all necessary documents and fulfill the processes necessary to complete the marketing and conveyance in compliance with the above terms and conditions.

8. ONLINE STUDENT SUPPORT CENTER INTRA-AGENCY AGREEMENT

Manual Lopez, Executive Director of Minnesota Online asked approval of the Board to amend the intra-agency agreement with Northwest Technical College as fiscal agent for Distance Minnesota to a cumulative estimate of \$5,470,000 through June 30, 2014.

Last year, the proposed action item sought Board approval to exercise the renewal option for a single additional one year term until June 30, 2012 because it exceeded the \$3,000,000 threshold. This year, the proposed action seeks Board approval to exercise the renewal option for an additional two (2) year term until June 30, 2014.

Mr. Lopez reported that 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. The Call Center handles Minnesota Online questions on programs and courses and last year and response time was 98% of calls were returned within 24 hours.

Trustee Englund moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Krinkie seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE ACTION

The Finance and Facilities Committee recommends that the Board of Trustees approve extending the current intra-agency agreement until June 30, 2014 between Minnesota State Colleges and Universities System Office and Northwest Technical College acting as fiscal agent for Distance Minnesota for estimated total expenditures not to exceed \$5,470,000. The Board directs the Chancellor or his designee to execute all necessary documents.

Chair McElroy motioned to adjourn the meeting at 10:07 a.m. "sine die". Trustee Hightower seconded the motion.

Respectfully submitted,

Laury Anderson, Recorder