



**FINANCE AND FACILITIES COMMITTEE  
JANUARY 16, 2013  
8:00 A.M.**

**MCCORMICK ROOM  
30 7TH STREET EAST  
SAINT PAUL, MN**

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**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.**

- (1) Minutes of November 14, 2012 (pp. 1 - 8)**
- (2) Finance and Facilities Update
- (3) Metropolitan State University - Approval of Contract Exceeding \$3 Million for WebWOC Program (pp. 9 - 11)**
- (4) Winona State University - Approval of Contract Exceeding \$3 Million for eWarrior Program (pp. 12 - 26)**
- (5) Approval of Joint Powers Agreement, Southwest Minnesota State University (pp. 27 - 33)**
- (6) Itasca Community College 2004 Revenue Bond Refunding (pp. 34 - 38)**
- (7) 2012 and 2011 Audited Financial Statements (pp. 39 - 46)

Members

Michael Vekich, Chair  
David Paskach, Vice Chair  
Brett Anderson  
Dawn Erlandson  
Phil Krinkie  
Alfredo Oliveira  
Thomas Renier

**Bolded** items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD OF TRUSTEES**

**FINANCE AND FACILITIES COMMITTEE**

**MEETING MINUTES**

**November 14, 2012**

*Finance and Facilities Committee Members Present: Chair Michael Vekich, Trustees Brett Anderson, Philip Krinkie, David Paskach, Tom Renier*

*Other Board Members Present: Margaret Anderson Kelliher, Duane Benson, Cheryl Dickson, Clarence Hightower, Maria Peluso, Louise Sundin*

*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 Committee held its meeting on November 14, 2012, 4<sup>th</sup> Floor, McCormick Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Vekich called the meeting to order at 9:05 a.m.

**MINUTES OF October 17, 2012**

The minutes of the October 17, 2012 Finance and Facilities Committee meeting were approved as published.

**1. FINANCE AND FACILITIES UPDATE**

Vice Chancellor Laura King reported that Minnesota State Colleges and Universities (MnSCU) is still waiting on Minnesota Management and Budget's (MMB's) response in order to complete the financial statement work. There is a risk that the delay in finalizing the statements could delay the rating agency presentation and execution of the Revenue Bond sale.

MMB's loan balance remains at \$625 million. There is no change from October report.

The 2014 Capital budget request is \$216M with 31 major capital projects. Project scoring is set for early January 2013 at Normandale. The Chancellor's 2014 program recommendation to the Board will occur in May and June 2013.

**2. 2013 REVENUE FUND SALE – SECOND READING**

Associated Vice Chancellor Brian Yolitz briefly reviewed the information that was covered at the October meeting. Mr. Yolitz noted that some small changes were made to Attachments A and B. The documents are labeled Revised Attachment A and Revised Attachment B. Materials addressing the questions raised by Trustee Krinkie concerning the Metropolitan State projects have been added. Mr. Yolitz said there is ample evidence that the recommended projects are warranted and consistent with policy. The Board has already

approved the Science Building design as a part of the 2012 General Obligation Capital program and the request for construction funds will come as part of the 2014 request. If construction of the Science Building moves forward, then the recommended parking structure must be built in order to satisfy city parking officials.

Mr. Yolitz said the purpose of the presentation is to gain Board approval for 7 projects at 5 universities. There are three types of Capital investment sources – Revenue Fund bonds, General Obligation bonds and other funding such as gifts, partnerships, etc. The system issues and owns the bonds which are rated by two agencies – Moody’s (Aa2) and Standard & Poor’s (AA-). There is intensive student involvement throughout the planning and scoping of the work prior to the Board’s review. The Revenue Fund is self-supporting, meaning revenue from the projects support the debt and no tuition or state funding can be used for the operations of the financed facility or the related debt service.

Mr. Yolitz outlined the preparation for the 2013 bond sale. In May of 2011 there was a call for projects and student and campus discussion. In summer through fall of 2011, the predesigns and financial analysis were completed, there were student consultations and the preliminary project list was produced. In spring and summer of 2012, the legislation increased the debt ceiling and the predesigns and financials were refined. In fall of 2012, more student consultations were conducted, the Board reviewed the projects for the first reading in October, and after today’s presentation, the committee will be asked to vote on the motion to approve the Revenue Bond sale for not more than \$70M. If approved, the rating agency presentations and visits will begin, with the sale taking place in January and February 2013.

As follow up to the October Board meeting, Mr. Yolitz responded to questions that arose regarding projects at Metropolitan State University. Mr. Yolitz said that the institution has 6,100 FYE (11% of the entire system’s FYE) and 11,000 student head count. The university has grown by 13% in the last three years, outpacing all sister universities in the system. Metropolitan State also comprises 4% of the system’s university gross square footage.

The projects for 2012-2016 include the Metropolitan State University Science building, parking and a student union as part of their Master Plan. Planning for 2016 and beyond will include a request for a classroom building. Metropolitan State University is a key component in the system metropolitan area academic plan.

The projects in the 2013 bond sale will renovate 425 beds (142K sq ft of space), remove 1200 beds from the system’s residence hall inventory (275K sq ft), add 815 parking stalls, add 3500 sq ft of new student union space at two campuses and prepares for work in anticipation of the 2015 bond sale. In addition to Metropolitan State University’s request, MSU Mankato, MSU Moorhead and St. Cloud State University will continue with their residence life programming, and St. Cloud State and Winona State will renovate existing student union spaces. Mr. Yolitz noted that these requirements come from planful work at the campuses within their Facilities Master Plans. There has been extensive student consultation in accordance with Board policy, satisfactory financial analysis for the projects and all are within the fund’s authorized debt levels. Mr. Yolitz presented the recommended

motion for the Board to approve the Revenue Bond sale for not more than \$70M and called on the Board for questions.

Trustee Krinkie said since the last Board meeting, he visited Metropolitan State University. Trustee Krinkie said that the City of St. Paul purchased and cleared an area east of the campus and requested that any action be delayed until there is a discussion with the City of St. Paul to possibly purchase or lease the land for parking space. It is currently slated for a mix of commercial and housing projects. Trustee Krinkie said in regards to parking, it is cheaper to build out than up and he has concerns about a \$20M project that is not being used for academics. Trustee Hightower asked Mr. Yolitz to talk about the other ramps that have been built. Mr. Yolitz said that Normandale and St. Paul College both have built ramps. Normandale added 720 stalls and St. Paul College added 618. Metropolitan State needs 815 stalls. Mr. Yolitz said that ramps are expensive (\$18,000 per stall) but necessary. President Hammersmith brought forward the plan for the ramp as part of the 2010 Master Plan. Trustee Hightower said that no one is arguing the need for parking and he feels due diligence has been done around the project so he supports it. Trustee Anderson also supported the project because he is a student there and knows of the need for more parking.

Trustee Paskach asked to clarify some of the costs of the bond sale. Mr. Yolitz explained that the costs associated with a bond issuance reflect all of the fees with taking the bonds to market. Mark LeMay from Springsted (financial advisor from MnSCU) added that the 11% includes an eighteen month debt service reserve and that is a conservative estimate.

Trustee Sundin asked if technical and community colleges can participate in the Revenue Fund. Mr. Yolitz replied they are eligible.

Trustee Anderson asked if these were Metropolitan State's first two projects in the fund and Mr. Yolitz confirmed that they were.

Trustee Krinkie asked President Hammersmith if there have ever been negotiations to acquire the land he mentioned earlier. President Hammersmith replied that negotiations have taken place recently and prior to her presidency. The city has made a ruling that there will be no more surface lots in that area because lots aren't what the city and the taxpayers want. Trustee Anderson Kelliher added that the trend is redevelopment in order to increase tax revenue and MnSCU does not pay taxes, so it is unlikely a deal could be struck. Trustee Krinkie said that it is unlikely the city will develop the land without some economic development funding.

Trustee Paskach moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Hightower seconded the motion. The motion prevailed with Trustee Krinkie voting in decent.

**RECOMMENDED COMMITTEE MOTION:**

The Board of Trustees authorizes a Revenue Bond sale for not more than \$70,000,000 subject to the sale parameters as presented on **Revised Attachment A**. The Board of Trustees approves the Series Resolution as described in **Revised Attachment B**.

**3. TUITION WAIVER REQUEST – NORTHLAND COMMUNITY AND TECHNICAL COLLEGE’S IMAGERY ANALYSIS PROGRAM**

Vice Chancellor King said in order to move the meeting along, the tuition waiver request could be considered housekeeping in nature and noted a similar request from Northland last year was approved by the Board.. The program is grant funded and a stipulation of the grant agreement is that students in the programs do not pay tuition. Because it is a total waiver of tuition, it required Board approval.

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

**RECOMMENDED COMMITTEE MOTION:**

The Board of Trustees approves a tuition waiver for courses in Northland Community and Technical College’s Imagery Analysis program that have a prefix of IMAG. This waiver is approved for spring semester of academic year 2013, fall and spring semesters of academic year 2014, and a prorated portion of fall semester of academic year 2015.

**4. MICROSOFT CAMPUS AGREEMENT CONTRACT APPROVAL**

Vice Chancellor King reported the Board originally approved staff execution of a contract with Microsoft not to exceed \$4.5 million in March 2012. College and university demand for Microsoft products exceeded earlier estimates and drove the multi-year total value of the contract above the Board’s earlier approval. This action is expected to support the contract through the three year term at a new total not to exceed \$6.4 million. The contract is not yet at the \$4.2 million mark, but it expected to exceed it because there is more interest by the campuses than what was modeled.

Trustee Renier moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Anderson seconded the motion. The motion prevailed with Trustee Krinkie voting in decent.

**RECOMMENDED COMMITTEE MOTION:**

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

The Board of Trustees approves the three year Microsoft licensing term not to exceed a value of \$6,400,000 million dollars. The Board directs the Chancellor or his designee to execute all necessary documents.

## **5. FY 2014-2015 BIENNIAL LEGISLATIVE REQUEST**

Chancellor Rosenstone thanked the Board for their assistance with the first reading at the October meeting and said it was encouraging to hear Board members voice support for the strategy and request. Chancellor Rosenstone said since the last Board meeting he and Vice Chancellor King have had an opportunity to meet with several union groups and the statewide student associations regarding the proposal. The proposal was presented to the Commissioner of MMB on November 5, 2012. Trustee Hightower assisted with that presentation and it was well received.

Chancellor Rosenstone said Minnesota faces the challenge to dramatically increase the number of working-age adults with a post-secondary credential. MnSCU will need to serve more students than ever before, retrain the unemployed, help those who started college but did not finish, provide access to education, see to it that high school graduates are college ready and increase college success rates, especially low income students, students of color and first generation college students. The proposal includes these outcomes that will advance Minnesota's prosperity.

Vice Chancellor King stated the proposal calls for collaboration and is designed to provide programs that will meet workforce needs, produce more graduates in high-demand, high growth professions, produce more graduates with experience on state-of-the art equipment, protect and enhance affordability and ensure more students complete their education in a timely and cost-effective manner.

Vice Chancellor King said that many of the initiatives do not depend solely on state funding – some include a private match to state funds, some are funded entirely from private sources and some funding is provided through internally generated costs savings and efficiencies. The proposal includes funding strategies from three sources: state support, campus efficiencies and external support and tuition revenue.

The first initiative advances the competitiveness of Minnesota's workforce through internships and apprenticeships that are designed to provide hands-on learning experiences for college and university students across the entire state. MnSCU's commitment is to raise \$3M by April 2014 before the 2015 funds are released. MnSCU will also partner with trade unions to expand diversity in the apprenticeship ranks and they are excited to work together to expand diversity in their ranks and train the next generation of highly skilled trades.

MnSCU's accountability commitment to the Leveraged Equipment Program is to raise \$7.5M by April 2014 before the 2015 funds are released. There is an urgent need to train students on state-of-the-art equipment. There was huge success in the 2012 pilot program where colleges and universities secured \$731,000 in contributions from 53 businesses, six

foundations and four vendors, more than matching the \$457,000 state appropriation. There is a dollar-for-dollar business match component to the program.

The Faculty driven educational innovations investment will enable MnSCU to move forward with the priorities that were expressed in the faculty forums with investments in classroom technology to improve teaching and learning.

Vice Chancellor King continued that MnSCU is committed to driving \$44 million in administrative efficiencies over the next biennium through designing common business practices systemwide for finance, human resources, financial aid processing, and strategic sourcing. In addition, MnSCU is committed to use these savings to hold down tuition. These efficiencies are over and above the \$76 million in savings generated over the past two years (FY2012 and FY2013).

The proposal calls for a modest tuition increase, capped at \$145/year for full-time college students and \$205/year for full-time university students. A statewide scholarship program is expected to generate at least \$20 million in scholarship support that will help over 16,000 students across the state.

Vice Chancellor King said the proposal also recommends advocating for change within the existing state grant program. A recommendation will be made to the Board to pursue a law change this year that will open the benefits of this program to more than 7,500 part-time students who are currently excluded from participating in the state grant program.

The last component of the proposal focuses on accelerating completion. It is proven that students are more successful when they have early success. In order to reduce the cost of college and accelerate completion, students who are prepared to begin college can, while they are still in high school. This can be done by expanding the Post-Secondary Enrollment Options program and as well as increase opportunities for concurrent enrollment (that is for students to take college courses at their high school). In addition, there will be an expansion of mentorships and training of concurrent enrollment high school teachers to assure the quality of these collegiate experiences for students. Work will be done to align high school graduation and college entrance assessments to identify earlier the high school students who are not on track with college readiness and and provide them with targeted interventions and support.

These initiatives provide a path to accelerate post-secondary degree completion and the opportunity for families to leverage programs that make earning a high quality post-secondary degree affordable. These initiatives will appear in a bill that is being developed in collaboration with the Commissioner of Education.

Vice Chancellor King reported that faculty are in their fourth year with no salary adjustment. The faculty are partners in the strategic efforts that are being pursued and their importance is recognized in this budget proposal. MnSCU has not kept up with the national market for faculty and MnSCU faces a tremendous wave of retirements in the next five years at a time

of tightening competition for talented faculty and staff. The proposal contains funds for a 3% increase in total compensation (wages and health insurance premiums).

The cost of educating a MnSCU student has declined by 10% since 2000 due to efficiencies. The Campus Service Cooperative is finding more efficient ways to do business and those efforts continue to expand into different areas and to include more partners.

The FY2014-FY2015 biennial budget request totals \$40M for the year starting July 1, 2013 and \$57M for the year starting July 1, 2014. The requested state increase will bring MnSCU back to a 2007 state support funding level. On a per student FYE basis, adjusted for inflation, the request is still 42% below the 2000 funding level. Compared to FY2013, this would be a 1% increase in the share of the general fund budget that is covered by the State of Minnesota.

Vice Chancellor King called on President Hanson and President Opatz to speak on behalf of the presidents. President Hanson said that the proposal has received Leadership Council support because of its strategic intent. The disinvestment in higher education by the State of Minnesota has been severe, and campuses have felt the implications. President Hanson said the MnSCU institutions have an important role to play in meeting workforce needs. The proposal is moving MnSCU in the right direction by creating a culture of philanthropy. President Opatz added that there is enthusiasm at Leadership Council surrounding the proposal and they are ready to take it to the legislature. President Opatz said that the presidents like the shared responsibilities, the focus on the Strategic Framework, and the discretion they have on how they will make investments within their own communities.

Chancellor Rosenstone said that the proposal is a value proposition – with the investment in MnSCU, MnSCU will deliver what is promised. 100% of the funds are for students and academic programs and calls for shared responsibility – once the funds are received, the work will begin raising the matching funds. There is a built in set of accountabilities within the proposal and the benchmarks of the first year must be met in order to access second year funding. Working together with the Department of Education and DEED, MnSCU will be able to provide access and opportunity. Chancellor Rosenstone said there is an expectation of bipartisan support in the legislature and called for Board support of the motion to approve the proposal as presented.

Trustee Anderson asked about the statewide scholarship campaign. Vice Chancellor King said that colleges and universities will work with their individual foundation on fundraising and there will be a variety of methods to it. Trustee Anderson added that as a student, it has been interesting to vote on raising tuition once you have to pay it and thanked the Chancellor and staff for coming up with this plan.

Trustee Anderson Kelliher asked if a change in the state grant program for part-time students would hurt full-time students. Vice Chancellor King said that most MnSCU students are part-time. Currently the funding formula provides that the more credits a student is enrolled in, the higher the state support through grants. Vice Chancellor King said the recommendation is that the state grants should be prorated similar to a PELL grant so that a



half-time student gets half of what a full-time student is awarded. If the percentage for a part-time student increases, the student could work less. Trustee Anderson Kelliher complimented Chancellor Rosenstone, his staff and the Finance Committee on making sure that this is an outcomes based proposal. Chancellor Rosenstone replied that more and more students are struggling financially to get through school and the populations that MnSCU serves are not the same as before – students who have not had access and opportunity. It would be important to bring academic advisors to testify as to the circumstances of these students. Their trend is to start and stop because of lack of funds or try to go full time while working and they don't succeed.

Trustee Sundin asked about the 10,000 internships/apprenticeships and how many conversations and agreements have been made. Vice Chancellor King said positive conversations have taken place at the leadership level; however, she did not have number. Trustee Sundin commented with regard to the accelerated completion goal, that there should be discussions with the commissioner and legislature about adopting the common core in order to better align with students being college ready. Trustee Sundin also inquired where the discussion of the strategies outlined here will take place. Chancellor Rosenstone replied he will be consulting with individual Board members for their insight. Trustee Sundin said it will take more than a couple of people to articulate the needs. Chancellor Rosenstone assured her that those connected with our colleges and universities – communities, businesses, students and alumni will assist in the communication.

Trustee Benson commended all who helped in the proposal and thinks it will change how funding requests are brought before the legislature. Trustee Benson added that MnSCU has started this evolution and it should not stop here.

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

**RECOMMENDED COMMITTEE MOTION:**

The Board of Trustees of the Minnesota State Colleges and Universities is committed to *Working Together for Minnesota's Prosperity* in partnership with the governor and the legislature, business and industry, Minnesota communities and its colleges and universities. The Board of Trustees approves the 2014-2015 biennial operating budget request in the amount of \$97 million and strongly urges the governor and the state of Minnesota to support the Minnesota State Colleges and Universities 2014-2015 biennial operating budget request.

The meeting was adjourned at 11:17 a.m.

Respectfully submitted,  
Laury R. Anderson, Recorder

*Date Submitted to the Board of Trustees: January 16, 2013*

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

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities Committee      **Date of Meeting:** January 16, 2013

**Agenda Item:** Metropolitan State University - Approval of Contract Exceeding \$3 Million for WebWOC Program

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, Subdivision 3, requires Board of Trustees approval of all contracts valued greater than \$3 million.

**Scheduled Presenter(s):** Laura M. King, Vice Chancellor – Chief Financial Officer  
Murtuza Siddiqui, CFO - Vice President for Administrative Affairs, Metropolitan State University

**Outline of Key Points/Policy Issues:** Metropolitan State University is requesting approval of a professional/technical services contract estimated to total \$4,234,739 through the end of the contract and requested amendment period, which would be in effect from February 2, 2010 through December 31, 2013. The contract was awarded to Bryant Rolstad Consultants, LLC for three (3) years with an option to renew for up to two (2) one-year contract periods. The contract will end on December 31, 2012 and an amendment for one additional year will increase the value of the contract to \$4,234,739, thereby requiring approval by the Board of Trustees.

**Background Information:** The contract with Bryant Rolstad Consultants, LLC is to educate Wound, Ostomy and Continence (WOC) Nursing students through the Web. WOC Nursing is a specialty within nursing dedicated to the care of patients with a wound or ulcer, ostomy and bowel or bladder incontinence. A request for proposal was published in the State Register on October 12, 2009 with one respondent (Bryant Rolstad Consultants, LLC).

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

**BOARD ACTION**

**Metropolitan State University - Approval of Contract  
Exceeding \$3 Million for WebWOC Program**

**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 of a professional/technical services contract estimated to total \$4,234,739 through the end of the current contract and the proposed amendment, which would be in effect through December 31, 2013.

Since 2001, Metropolitan State University has engaged in a contractual relationship with Bryant Rolstad Consultants, LLC to educate Wound, Ostomy and Continence (WOC) Nursing students through the Web. WOC Nursing is a specialty within nursing dedicated to the care of patients with a wound or ulcer, ostomy and bowel or bladder incontinence. The webWOC Nursing Education Program at Metropolitan State University premiered in the summer of 2001 with four students.

A request for proposal was published in the State Register on October 12, 2009 with one respondent (Bryant Rolstad Consultants, LLC). The expenditures to date under the current agreement total \$2,784,738 for the term February 9, 2010 through December 31, 2012. This proposed amendment will extend the contract by one (1) year, through December 31, 2013 at an estimated additional cost of \$1,450,000 for calendar year 2013. According to the terms of the current contract, the contractor is paid 85% of the tuition collected from the students. The University keeps the remaining 15% for the administration. Since the inception of the program, the number of enrolled students significantly exceeded the expectations and has grown from 35 students in 2002 to 276 students in 2012.

The value of the contract, including the proposed amendment for the upcoming calendar year, is now expected to exceed the Board policy threshold of \$3 million and requires approval by the Board of Trustees. The University will also prepare an RFP, contingent upon its decision to continue this program, prior to the expiration of the final term of the contract.

**RECOMMENDED COMMITTEE ACTION:**

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

The Board of Trustees approves execution of a one year amendment to the contract with Bryant Rolstad Consultants, LLC totaling \$1, 450,000 for a new contract total not to exceed \$4,234,739. The Board delegates execution of the contract to the Chancellor, or his designee.

**RECOMMENDED BOARD OF TRUSTEES MOTION:**

The Board of Trustees approves execution of a one year amendment to the contract with Bryant Rolstad Consultants, LLC totaling \$1,450,000 for a new contract total not to exceed \$4,234,739. The Board delegates execution of the contract to the Chancellor, or his designee.

*Date Presented to the Board of Trustees: January 16, 2013*



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

**BOARD ACTION**

**Winona State University - Approval of Contract Exceeding \$3 Million  
for eWarrior Program**

**BACKGROUND**

Board Policy 5.14, Procurement and Contracts, requires pre-approval by the Board of Trustees for contracts, including amendments, with values greater than \$3,000,000. The proposed action item is for Board approval of a 5-year lease-financing contract valued at \$5,900,000 a year.

In 1997, Winona State University (WSU) launched its *e-Warrior: Digital Life and Learning Program*, providing all students with a laptop computer to enhance their studies. This program has contributed to WSU's development as a distinctive institution and is now completely integrated into the campus culture. Unlike other institutions within the Minnesota State College and University (MnSCU) system, there are no computer labs at WSU. Instead of building specialized rooms, students and faculty can transform any room on campus into a computer lab. The predictable environment afforded by the program has allowed instructors to explore innovative pedagogies and action research in such areas as e-books, flipped classrooms, blended instruction, and enhanced communications with students. Winona State's new buildings were designed around a mobile computing environment, allowing for efficient, effective, and technology-enabled teaching and learning.

Winona State sees the *e-Warrior: Digital Life and Learning Program* as one of the primary ways that it serves the strategic framework, particularly in the delivery of an extraordinary education. Students were consulted throughout the process and the WSU Student Senate voted unanimously to support the proposal.

An assessment plan, which included a survey of the program and measures of student support, is resoundingly positive. Key takeaways from the *e-Warrior: Digital Life and Learning Program* at WSU:

- 15 years of enhancing student success with significant impact on the campus culture.
- Student-centered program based on assessment and feedback.
- Integrated program with consistent software, technology, and support accessible to all students.
- Student and alumni satisfaction 90+%.
- Significant factor in students choosing WSU.

- Expanding program to include a mobile content consumption device, without increasing program costs to students.

A Request for Proposal was completed during November 2012 that competitively identified laptop and tablet vendors for its program and identified Aspen Capital to provide lease financing for five consecutive years commencing with the 2013-14 academic year.

The estimated annual lease-financing cost of \$5.9 million is based on an average laptop/tablet bundled value of \$1,462 per unit and a proposed lease rate of .0416 with a student enrollment of 8,000 participating in the program. ( $\$1,462 \times .0416 \times 12 \text{ (months)} \times 8,000 \text{ (students)} = \$5.9 \text{ million.}$ ) The program is supported by the *e-Warrior: Digital Life and Learning Program* fee. This fee has gone down each of the last four years, FY09 - \$500, FY10 - \$485, FY11 – 480, and FY12 - \$465.

Another component of the fee is Information Technology Services. WSU employs 113 students with an annual budget of \$592,929, most directly supported by this fee. The fee is in-line with similar 1:1 programs at University of Minnesota-Rochester and Crookston, Dakota State University (South Dakota), University of Wisconsin – Stout, and Valley City State University (North Dakota). (See Attachment A for more information on other programs)

Attachment A provides additional information about WSU's *e-Warrior: Digital Life and Learning Program*.

**RECOMMENDED COMMITTEE MOTION:**

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

The Board of Trustees approves execution of a 5-year lease financing contract with Aspen Capital totaling \$5,900,000 a year to provide lease financing for Winona State University's *e-Warrior: Digital Life and Learning Program*; and that the Board delegate execution of the contract to the Chancellor, or his designee.

**RECOMMENDED BOARD MOTION:**

The Board of Trustees approves execution of a 5-year lease-financing contract with Aspen Capital totaling \$5,900,000 a year to provide lease financing for Winona State University's *e-Warrior: Digital Life and Learning Program*. The Board delegates execution of the contract to the Chancellor, or his designee.

*Date submitted to the Board of Trustees: January 16, 2013*



**Winona State University**  
*e-Warrior Digital Life and Learning Program*  
**Board Report “Additional Information”- January 2013**



**“A Community of Learners Improving Our World”**



## INTRODUCTION

Higher education is a distinct enterprise continually reaching out to find leading-edge implementations of information technology to transform the administrative, teaching, research, and service missions of the institution. Just as it has transformed society, information technology has become an integral part of the academic enterprise. Key stakeholders in higher education see information technology as a significant focus for their schools' success.

It is against this backdrop that in 1997, Winona State University (WSU) launched its e-Warrior: Digital Life and Learning Program, providing all students with a laptop computer to enhance their studies. This program has contributed to WSU's development as a distinctive institution and is now completely integrated into our campus culture. Unlike other institutions within the Minnesota State College and University (MnSCU) system, there are no computer labs at WSU. Instead of building specialized, expensive rooms, students and faculty can transform any room on campus into a computer lab. The predictable environment afforded by the program has allowed instructors to explore innovative pedagogies and action research in such areas as e-books, flipped classrooms, blended instruction, and enhanced communications with students.

Winona State's new buildings on campus (i.e., science building, library, Maxwell renovation) were designed around a mobile computing environment. All the building spaces and equipment, including science labs, are built with the assumption that students have mobile computing devices. This mobile computing environment allows Winona State to create more efficient teaching and learning spaces such as connecting to high-tech science equipment. An outcome of this environment is the Winona campus has one of the largest wireless network installations in the state of Minnesota and was named one of the top 25 wireless college campuses in the United States in a survey conducted by the Center for Digital Education and Intel Corporation.

Winona State sees the *e-Warrior: Digital Life and Learning Program* as one of the primary ways that it serves the strategic framework particularly in the delivery of an extraordinary education. Our graduates, many of whom continue to work and learn in the State of Minnesota, have benefited from the knowledge, skills, and abilities gained through their participation in the program. Our inclusion of tablet technology mirrors the rapid transition to mobility already occurring in the workplace and will better prepare our students to flourish in the digital world.

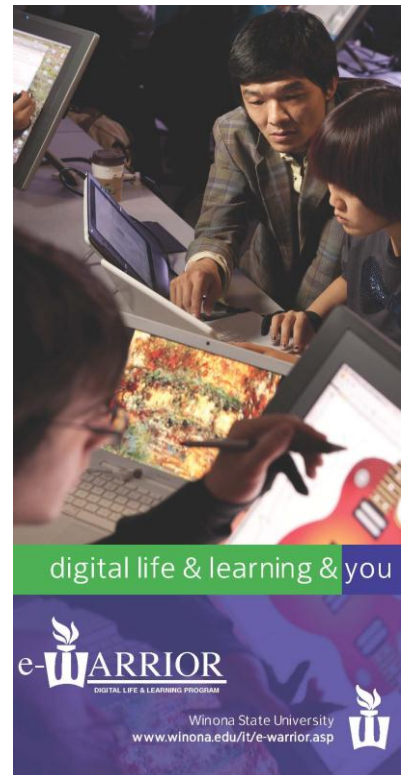


Figure 1 Cover *e-Warrior: Digital Life and Learning Program* e-booklet given to students.

## **E-WARRIOR DIGITAL LIFE & LEARNING PROGRAM**

### **What is the *e-Warrior: Digital Life & Learning Program*?**

This program integrates communication and information technology into student's social and learning experience at Winona State University. The program provides students with a powerful set of tools (e.g., a laptop, tablet, updated software) and services (e.g., help desk) to support all facets of their academic work and residential life at Winona State. More than just a laptop, the *e-Warrior: Digital Life and Learning Program* ensures secure, reliable, and supportable technology 24/7.

### **Why do all students have to participate in the *e-Warrior: Digital Life & Learning Program*?**

All full-time students (12 or more semester credits) are automatically enrolled in the *e-Warrior: Digital Life and Learning Program*. In order for the program to be most effective, all full-time faculty and students must have a common set of tools. This level of standardization allows instructors to integrate technology into their courses confidently and allows support staff to provide timely and cost effective technical assistance. This has allowed Winona State University to close all of its campus computer labs allowing for more efficient use of space. The end result is that students and faculty can spend their time using technology to facilitate learning versus solving technical problems, wondering whether their personal computers will be adequate for their next set of courses, waiting for their computers to be repaired, or installing software.

### **The cost of the program is \$465 per semester. How is this money used?**

The *e-Warrior: Digital Life and Learning Program* provides students with much more than just a laptop/tablet. The cost of the program is used to cover:

- **65% Hardware** - new laptop and tablet every two years (i.e. in the fall of 2013 students will receive a laptop (valued at ~\$1,200) and tablet (valued ~\$300) computer).
- **15% Staffing** - full-time professional staff and student employment
- **10% Maintenance** - insurance, repairs, spare laptops, components, replacement battery, personalized Help Desk, three-year laptop warranty
- **5% Software Applications** - Personal productivity tools, multimedia authoring tools, research tools
- **5% Program Cost** - Senior buyout program, training, administration, un-collectibles

Item of note is the program fee has gone down over the past 4 years:

- FY09 - \$500,
- FY10 - \$485,
- FY11 - \$480,
- FY12 - **\$465.**

All budget projections show the program costs continuing to decline over time as the cost of technology decreases. One could compare the smartphone plan from a major telecommunication provider, which on average costs \$85 a month. The e-Warrior: Digital Life and Learning Program fee runs \$77. Both services provide a computational device, network access and support.

### **Why does WSU lease laptops and tablets?**

- Leasing avoids an initial purchase investment that may not be used, considering the withdrawal and transfer rates of first year students.
- WSU has no disposal costs. The units are returned to the leasing company.
- New equipment capable of keeping up with the fast pace of technological change is guaranteed with the two-year refresh that a leasing arrangement allows.
- Leasing allows the student buyout program to graduating students.

### **Senior Student Buyout Program**

Winona State University, working with its leasing vendor provides a purchase option for the hardware the student had been using at the time of graduation. The leasing vendor sells the mobile technology package to graduates and the purchase price is determined by the number of years that the student has participated in the e-Warrior: Digital Life and Learning Program (example: \$25 for a 4-year Winona State University student). When a student is accepted for graduation, information is sent to them explaining the dates and times of the sale and the terms of the sale.

## **DECISION MAKING, STUDENT, AND CAMPUS CONSULTATION**

The *e-Warrior: Digital Life and Learning* Review Committee is a subcommittee of the All University Technology Committee (AUTC). The purpose of this subcommittee is to discuss and make recommendations on issues related to the *e-Warrior: Digital Life and Learning Program*. The complete committee make-up can be found in **Appendix A**. This committee has met nine times since the start of the 2012 fall semester. This committee reviews and evaluates assessment data collected around the program and makes recommendations to the Chief Information Officer and student senate. The assessment plan and yearly findings and progress can found online <http://www.winona.edu/it/aboutits.asp>. The assessment plan uses 20 instruments and 300 data points to measure program effectiveness. This fall presentations were made to various campus constituency groups reviewing the current data about the program and possible changes. This fall, three showcase events were held around campus collecting additional input from students on various hardware options being evaluated and two student focus groups, two faculty listening sessions, three departmental listening sessions, and two faculty focus groups were held. Figure 2 is the letter of consultation from Alexandra Griffin, President of the Student Senate.



Chancellor Steven Rosenstone  
Minnesota State Colleges and Universities  
30 East Seventh Street  
Suite 350  
Saint Paul, MN 55101

Chancellor Rosenstone & Board of Trustees,

I am writing this letter today as requested under MnSCU Board Policy 2.3, student involvement in decision-making. The Chief Information Officer and his team have properly consulted the Winona State University Student Association throughout the last year regarding the Request for Proposal process for a lease agreement for laptop and tablet hardware for the e-Warrior Digital Life and Learning Program.

At our WSU Student Senate meeting on December 5, 2012, the WSUSS body approved a recommendation from the e-Warrior Digital Life and Learning Committee. The Chief Information Officer, Kenneth Janz, as well as several members of the committee were available for questions from WSUSS regarding the proposed lease agreement. The main purpose of this lease agreement is to provide the hardware required to continue the e-Warrior Digital Life and Learning Laptop Program for which Winona State is renowned.

The general mood regarding the proposal was that, given the extraordinary budgetary consciousness of the committee that allows the program to develop without raising the fee, the proposed plan was done in a conscientious manner that allowed for an investment in our current and future students. A considerable amount of feedback was collected from current WSU students and this proposal accurately reflects the wants and needs of the student body. Five students played an active role on the committee that put this proposal together. This information, also combined with the 91% satisfaction rate of the current program, allowed for a decisive approval from the WSUSS.

The WSUSS supports the proposed lease agreements for hardware. All current information on this plan was disclosed to the WSUSS and proper procedures were followed. Please feel free to contact me with questions at [AGriffin09@winona.edu](mailto:AGriffin09@winona.edu) or by phone at (608) 604-2019.

Sincerely,

Alexandra Griffin  
President, Winona State University Student Senate

Figure 2 Consultation Letter from Student Senate

## PROGRAM INDICATORS AND STUDENT SATISFACTION

Overall, students report satisfaction with the program. Each year in the spring, Winona State’s Institutional Research unit holds an Assessment Day. The Assessment Day Survey includes a section on the *Digital Life and Learning Program*. The survey respondents include students from all Colleges and from multiple years in school. While the number of respondents varies each year, about one-third of the student body is represented. Overall satisfaction in the program has grown from 64% in spring of 2008 to 91% in spring of 2011 and held that level in the spring of 2012. Figure 2 shows overall satisfaction growth over the last four years

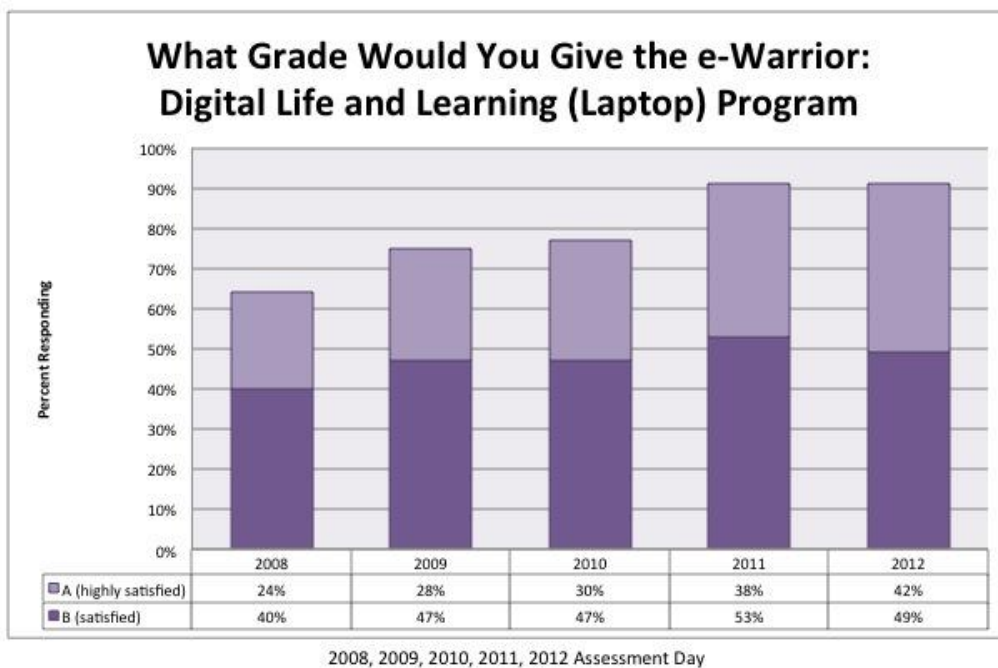


Figure 3 Student satisfaction data related to the *e-Warrior: Digital Life and Learning Program*

The 2012 ECAR national student technology survey of more than 100,000 students indicated that WSU compared very favorably with other institutions in terms of the reliability and availability of technology services. 72% of WSU students agreed “My institution’s technology services are always available when I need them for my coursework.” The level of agreement for students at other masters level institutions was 58%.

Based on a 2012 survey of 1,200 entering students during June registration, 48% indicated that the *e-Warrior: Digital Life and Learning Program* played a role in their decision to attend Winona State. This, along with Winona State University’s strong enrollment numbers over the last 15 years suggest that the program is appealing to students.

The 2012 Alumni Technology Survey, administered to former *Digital Life and Learning Program* participants three years post-graduation, indicated that students’ positive evaluation of the program persisted as they began their careers.

- 91% of alumni gave the *Digital Life and Learning Program* an “A” or “B” overall and all program components received positive ratings, particularly network speed and access, printing, technical support, and software.
- 64% of alumni reported that their participation in the *Digital Life and Learning Program* led to the development of computer skills that exceed their co-workers’.

The reliability and predictability of the technology and support provided through the program has been appreciated and leveraged by WSU instructors. In all of five college-specific faculty focus groups conducted in spring, 2011, instructors emphasized the importance of a consistent technological platform for learning and the degree to which this gives them the confidence they need to innovate. Students benefit from this use with a positive correlation between cumulative GPA and frequency of laptop use for academic purposes; moderated by year in school (First year:  $r = +.19$ , Senior:  $r = +.23$ ).

The physical campus, including all classrooms and most informal learning spaces, is designed to allow WSU students and faculty to use the tools provided through the Digital Life and Learning Program anytime and anywhere. On the 2012 Assessment Day Survey:

- 88% of students agreed with the statement, “Overall, campus learning spaces (e.g., classrooms, labs) promote good teaching and learning.” (**Appendix B** is a case study around the Mathematics and Statistics Department and learning space design.)
- 93% agreed with the statement, “I use my laptop frequently for class-related purposes.”
- 89% agreed with the statement, “The use of the laptop is important for my academic success.”
- Students reported using their laptops about 5-6 hours per day, 3-4 hours for academic purposes

Vendi, a local marketing agency, collected and analyzed external marketing data on the perceptions of Winona State University. Employers indicated that WSU is a leader in technology and technology infused learning with 64% strongly agreeing and 30% agreeing with this statement. This area of strength as identified by employers was second only to the statement that “WSU offers a rich campus environment (natural beauty and extracurricular experiences)”.

### HIGHER LEARNING COMMISSION OBSERVATIONS

The Higher Learning Commission (HLC) accreditation team during its accreditation visit made several observations about the *e-Warrior: Digital Life and Learning Program* in its report:

**“The “e-Warrior: Digital Life and Learning Program,” aka student laptop program, has been an outstanding recruitment tool for Winona State University.** The total program investment is approximately \$7.0 million annually from student fees which has allowed the campus to serve its students’ needs in a superior fashion, and as a side benefit has allowed the campus to reduce infrastructure and operating costs through the elimination of all computer labs. (Component 2D)

“WSU has been a leader in the state in providing its students with computer technology through its longstanding laptop initiative. Through this program, students are assured a current laptop computer and appropriate software to meet their needs in their degree program. **Administrators, faculty and students all spoke highly of this program in the various face-to-face meetings with visiting team members.**” (Component 3D)

The Technology Infrastructure is impressive. **The team observed multiple ways in which IT at WSU is more advanced than other similar institutions.** The significant use of assessment to move forward strategically is noteworthy. In fact, assessment appears to inform all decisions. The use of Lean Principles to reduce costs, improve efficiency and increase efficacy is an example of the forward thinking that routine in this unit.” (Recognition of Significant Accomplishments)

### SURVEY OF OTHER SIMILAR PROGRAMS

How does the Winona State University *e-Warrior: Digital Life and Learning Program* compare in cost to other mandatory computer programs? Comparing costs of Winona State University’s program to six other State universities in Minnesota and its neighboring states you will find Winona State University in the middle yet offers more choices and will soon be providing both a laptop (content creation) and tablet (content consumption) devices. See figure 4.

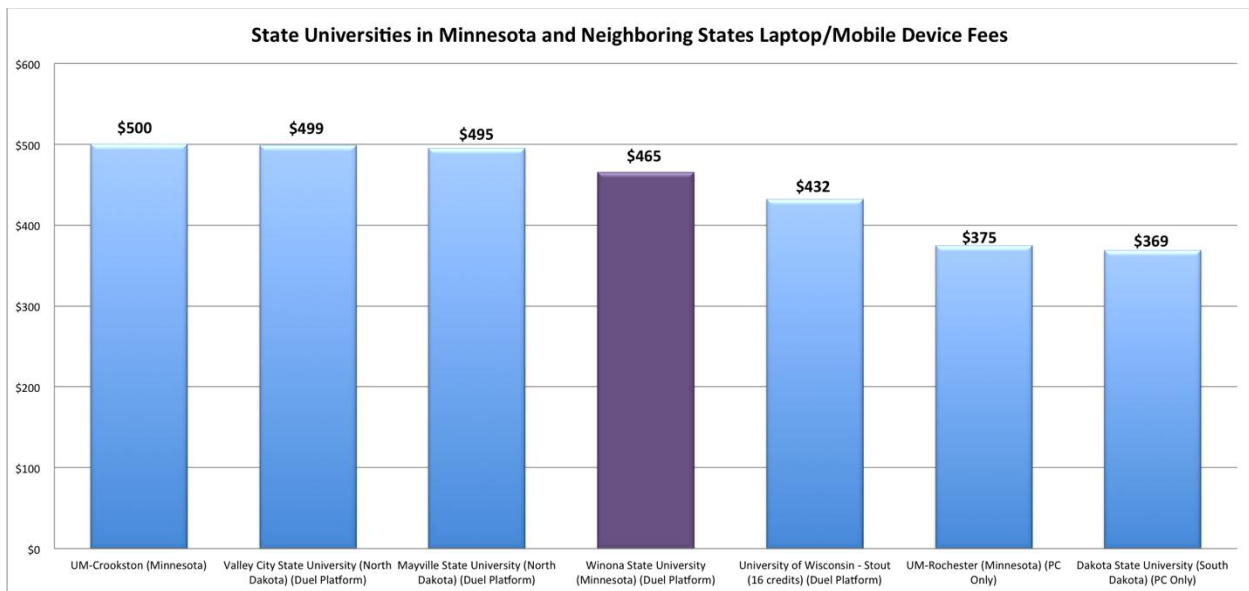


Figure 4 Cost of similar programs to students at other universities.

### MOVING FORWARD

#### “THE WORLD IS CHANGING AND WE NEED TO CHANGE WITH IT”

Technology continues to evolve, the associated literacies and skills that will be important for our graduates are changing, and our program must keep pace. Our response will be steady, measured and informed by data and experience. According to the Gartner

“hypecycle” model, real changes in technology are often preceded by a period of inflated expectations. Some new tools and concepts break through the hype and become part of our daily lives and others don’t. In this year’s hypecycle, for example, bring-your-own-device (BYOD) initiatives are surrounded by considerable hype, but have not proven to be feasible or effective. E-Books, on the other hand, are finally emerging as a viable format as e-reader technology matures and tablet devices proliferate.

The exponential growth of tablet computing opens up many interesting academic opportunities. Tablets (e.g., Apple iPad, Kindle Fire, Samsung Note) could be considered a disruptive technology (Christensen, 2003) that threatens the position of laptops as the reigning device for supporting mobile computing. WSU has been preparing for such disruption by pilot testing tablets over the past two years.

Data collection on student indicators related to tablets began in spring 2012 with an Assessment Day survey of student tablet and e-book use. Student interest in the academic use of tablets and e-books was high, based primarily on perceived convenience and cost savings. A pilot project using tablets that same spring followed 50 students as they used e-books and other applications on their tablets for an entire semester in chemistry, geoscience, nursing, and English composition. Academic use of the tablet increased significantly over the course of the semester and students reported high levels of satisfaction with the device. In fall 2012, 150 students in six undergraduate courses participated in a second tablet pilot project. All students were provided an Apple iPad’s and course-specific applications for an entire semester. Students view tablets as an important academic tool, they benefited from its deep integration into pilot courses, they used them in multiple courses outside the pilot, and the majority supported its inclusion in the e-Warrior program. To further explore how to best integrate tablets into specific courses, we are expanding our pilot program this spring to 400 students in 16 different courses. We have also started a faculty learning community with over 50 faculty members participating called “Tablet Club” that will help prepare instructors for the adoption of tablet devices.

Results from the first two pilots indicate that a tablet can serve an important academic purpose, not as a laptop or content creation replacement, but as a second device used primarily for content consumption and mobile applications both inside and outside the classroom. In our current pilot this semester, for example, students in a geoscience course are using their tablets in the field as tools for data collection that they then connect with their laptops for analysis and reporting purposes. Students and instructors in a computer science course are not only developing tablet applications, but also writing and reading a textbook designed to be accessed via a tablet.

Winona State has made a public commitment to student success through the *Digital Life and Learning Program* and its continued support of innovative pedagogy and active learning strategies employed by faculty. Winona State continues to evaluate the program and improve it to meet the needs of students now and in the future.





### **Key points - *e-Warrior: Digital Life and Learning Program***

- 15 years of enhancing student success with significant impact on the campus culture.
- Student-centered program based on assessment and feedback.
- Integrated program with consistent software, technology, and support accessible to all students.
- Student and alumni satisfaction 90+%.
- Significant factor in students choosing WSU.
- Expanding program to include mobile content consumption device, without increasing program costs to students.



**“A Community of Learners Improving Our World”**

## **APPENDIX A**

### **E-WARRIOR: DIGITAL LIFE AND LEARNING REVIEW COMMITTEE**

This committee is comprised of the student members of the Winona State University Student Technology Fee Review Committee (5 members) the faculty and staff members of the All University Technology Committee (AUTC). The committee make-up for the 2012 – 2013 school year is listed below:

#### **Ex-Officio**

- Kenneth Janz, Associate Vice President for Academic Affairs and Chief Information Officer
- Ken Graetz, Director for Teaching, Learning, and Technology Services
- Dean Feller, Director for User Services

#### **Student Representatives**

- Kyle Stay (Co-Chair)
- Logan Galchutt
- Ian Mireri
- Tyler Treptow
- Samuel Bach

#### **Inter Faculty Organization (IFO) Representation**

- Pat Paulson, Professor, College of Business (Co-Chair)
- James Reineke, Associate Professor, College of Education
- Nicole Anderson, Assistant Professor, College of Science and Engineering
- Ann Olson, Professor, Nursing - Rochester
- H “Vernon” Leighton, Librarian, Library

#### **Deans' Council Representation**

- Charla Miertschin, Dean, College of Science and Engineering

#### **Administrative and Service Faculty (ASF) Representation**

- Tania Schmidt, Associate Registrar, Student Record Services (Registrar's)

#### **Minnesota Association of Professional Employees (MAPE) Representation**

- John Yearous, Application Developer, Information Technology Services
- Marc Hauge, System Administrator, Information Technology Services

#### **Middle Managers Association (MMA) Representation**

- Dave Gresham, Director Infrastructure Services

#### **AFSCME Representation**

- Dustin Tollefsrud, Administrative Assistant, Outreach and Continuing Education

## APPENDIX B

### LEARNING SPACE READINESS, A CASE STUDY - MATH ACHIEVEMENT CENTER

Investments in innovative learning spaces help integrate the *e-Warrior: Digital Life and Learning Program* tools into classroom activities in such areas as music instruction, graphic design, and teacher education. One particular space we would like to highlight is the Math Achievement Center (MAC). The MAC is located on the Winona State University West Campus. The design is based on the Scale Up model from North Carolina State University; the MAC is a large open space with eight group worktables. Each table can accommodate 10 students and includes a 37" LCD and control system that can display any student's laptop or an instructor-defined source. The instructor station in the middle of the room can accommodate a laptop, document camera, and an iPad. Instructors have full control over what is displayed on the main screen as well as the LCDs at each table. The room has a full sound system, including microphones at each table, and is designed for classroom capture via Tegrity.

This year, the Mathematics and Statistics Department used the MAC to support 19 sections of developmental and introductory math and statistics courses and over 1,000 students. All of these courses are designed around a "blended" instructional approach and student use of laptops and instructional math software, including the ALEKS online tool. All students bring their laptops to every class session and use them to solve problems in a blended, collaborative learning environment.

MAC Coordinator Mike Markegard described the role of the *e-Warrior: Digital Life and Learning Program* in the success of the MAC as follows:

"The laptop and the support our students receive give them a tremendous advantage over students attending many other universities. I have attended a number of conferences and meetings dealing with course redesign. The biggest obstacle for many instructors in updating their courses is the lack of computer labs or trying to deal with outdated computer labs. Student access to the labs is also a problem. We are very fortunate to have a robust program at WSU. If we no longer had the laptop program it would be like going back in time and teaching like we did 20 years ago. Why would we want to do that?"





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

<b>ACTION ITEM</b>
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<b>Approval of Joint Powers Agreement, Southwest Minnesota State University</b>
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**EXECUTIVE SUMMARY**

Southwest Minnesota State University (SMSU) seeks approval of a joint powers agreement (JPA), which establishes a governing structure with Independent School District No. 413 (Marshall, MN), for the financing, leasing, renovation and ongoing operations of the former Mattke Field site now known as the Marshall Regional Track and Field Complex located on the campus of Southwest Minnesota State University. A sketch of the proposed improvements that are the subject of this JPA is contained in **Attachment A**.

**BACKGROUND**

The subject of the joint powers agreement is a \$2.88 million upgrade to the former Mattke Field site. Upgrades to the site were contemplated in the SMSU Facilities Master Plan, which was last updated in 2006.

The project involves upgrading the track and soccer field in partnership with Independent School District 413 to create the Marshall Regional Track and Field Complex. Once completed, the upgraded field complex will provide opportunities for better offerings to both university and high school/middle school students. The upgrades also represent a local partnership with the high school to invest in a shared field complex in a much more cost effective manner than constructing two separate fields in two separate locations. The upgrades will also support the university in Title IX compliance issues. The State of Minnesota has designated the community as the home of the Southwest Minnesota Amateur Sports Commission, which supports the regional development of athletic venues.

The joint powers agreement outlines the capital and operating contributions to the project and establishes a supervisory management committee, which operates like a joint powers board, comprised of leadership from both the university and school district.

The supervisory management committee is tasked with managing the design, bid, construction, and operations, including repair and maintenance of the facility. Under the agreement, the University will be responsible for execution of the design and construction project, including preparation of specifications, the bid process, and general conditions regarding construction supervision. The university will also retain responsibility for ongoing operations and repair, subject to agreement from the school district. For all future improvements to the complex, the committee will evaluate the long range capital and repair

plan for the complex. The parties have kept financing options flexible for these long range planning options.

## **PROJECT**

The project specifically involves the following improvements:

1. Renovating and enlarging the existing track surface to a new 9-lane double bend 400-meter track,
2. Expanding the size of the soccer field and upgrading the soccer field turf from natural grass to synthetic,
3. Adding track and field event areas, which includes long and triple jump pits, pole vault runways, shot put and discus areas,
4. Adding a new lighting system to accommodate night time events,
5. Constructing a 30'x 50' equipment storage facility.

The university has completed a predesign for the work, and is preparing to move ahead with the next phase of design work. The university intends to cover the initial outlay of funds for the design and construction of the project from its operating budget, estimated to cost approximately \$2.88 million. In turn, the university will recoup approximately half of the initial capital outlay through a lease back to the school district. For its part, the school district has passed a lease levy to support the project and the lease back. The school district will enter into a 10 year lease with the University for a total lease amount during the term of \$1.593 million.

## **STUDENT CONSULTATION**

In support of Board Policy 2.3, student consultation is an integral part of the overall process. The administration met in sessions with Student Senators and the entire Student Senate during the fall semester of 2011 to determine their interest in the project and the outcomes that benefited the students. During the spring semester the Student Senate reviewed in open meetings the predesign plans including estimated costs. The student body voted to approve the project in a referendum in the spring of 2012. A copy of the student consultation letter is contained in **Attachment B**.

## **RECOMMENDED COMMITTEE ACTION:**

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

The Board of Trustees authorizes execution by the chancellor or his designee of a joint powers agreement that establishes a governing structure to finance, construct and manage operations of the upgraded Mattke Field located on the Southwest Minnesota State University campus in Marshall, Minnesota.

**RECOMMENDED BOARD OF TRUSTEES MOTION:**

The Board of Trustees authorizes execution by the chancellor or his designee of a joint powers agreement that establishes a governing structure to finance, construct and manage operations of the upgraded Mattke Field located on the Southwest Minnesota State University campus in Marshall, Minnesota.

*Date submitted to the Board of Trustees: January 16, 2013*







To: Chancellor Steven Rosenstone

From: Kyle Berndt, President Southwest Minnesota State University Student Association

Date:   
November 29, 2012

Subject: Old Mattke Field Student Fee Referendum

I am writing to inform you of a Southwest Minnesota State University (SMSU) student referendum that was to renovate old Mattke Field into a usable athletic complex, specifically a Track and Field complex. This referendum passed in the April Student Association elections.

The consultation process regarding the Old Mattke Field Student Fee Referendum went very well. The conversation regarding such started on October 18, 2011 at the regularly scheduled Student Association Meet & Discuss. Throughout the year it was discussed and students were involved in the development of; cost per student; and timeline of fees. The referendum was voted on and placed on the ballot by the SMSU Student Association on April 5, 2012 with a vote of 10-0-1.

The referendum was then placed on the ballot to be voted upon by the SMSU student body. This passed on April 20, 2012 with a strong vote of support and the results were presented in their weekly Senate report by Judicial Board Coordinator, Matt Paulson, on April 26, 2012.

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

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities Committee      **Date of Meeting:** January 16, 2013

**Agenda Item:** Itasca Community College 2004 Revenue Bond Refunding

Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring

Information

**Cite policy requirement, or explain why item is on the Board agenda:**

Itasca Community College is seeking approval to proceed with a tax exempt bond refunding for the 2004 Series Student Housing Lease Revenue Bonds originally issued by Itasca County Housing and Redevelopment Authority (HRA) to finance the design and construction of the Itasca Residence Hall on the Itasca Community College campus.

**Scheduled Presenter(s):**      Laura M. King, Vice Chancellor – Chief Financial Officer  
Gregory Ewig, Director – Capital Development

**Outline of Key Points/Policy Issues:**

The true interest cost of the 2004 Series Student Housing Lease Revenue bonds is 5.7%. The 2004 bonds were originally structured as unrated, bank qualified bonds and the expectation is that the HRA will be using the same approach. Notwithstanding the unrated status of the refunding bonds, the college still expects to take advantage of low bond interest rates and estimates cost savings of approximately \$34,000 in annual cash savings on the refunding bonds debt service.

**Background Information:**

The Board of Trustees approved the original bond sale in October 2004 by an authorizing resolution for the Itasca County Housing and Redevelopment Authority (HRA) to issue Student Housing Lease Revenue bonds to finance the design and construction of Itasca Hall. The Itasca County HRA subsequently issued the tax exempt 20 year, \$2,640,000 Student Housing Lease Revenue Bond in December 2004. The Blandin Foundation supplemented the project with a \$1 million grant to assist in the development of the hall. The Itasca Residence Hall was completed and opened in August 2005 and contains 75 beds.

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

<b>ACTION ITEM</b>
Itasca Community College 2004 Revenue Bond Refunding

**EXECUTIVE SUMMARY**

Itasca Community College is seeking approval to proceed with a tax exempt bond refunding for the 2004 Series Student Housing Lease Revenue Bonds originally issued by Itasca County Housing and Redevelopment Authority (HRA) to finance the design and construction of the Itasca Residence Hall on the Itasca Community College campus.

**REFUNDING SUMMARY**

The Board of Trustees approved the original bond sale in October 2004 by an authorizing resolution for the Itasca County Housing and Redevelopment Authority (HRA) to issue Student Housing Lease Revenue bonds to finance the design and construction of Itasca Hall. The Itasca County HRA subsequently issued the tax exempt 20 year, \$2,640,000 Student Housing Lease Revenue Bond in December 2004. The Blandin Foundation supplemented the project with a \$1 million grant to assist in the development of the hall. The Itasca Residence Hall was completed and opened in August 2005 and contains 75 beds.

The true interest cost of the 2004 Series Student Housing Lease Revenue bonds is 5.7%. The 2004 bonds were originally structured as unrated, bank qualified bonds and the expectation is that the HRA will be using the same approach. Notwithstanding the unrated status of the refunding bonds, the college still expects to take advantage of low bond interest rates and estimates cost savings of approximately \$34,000 in annual cash savings on the refunding bonds debt service.

The original bonds were secured solely by the revenues generated from Itasca and also included the revenue pledge from Wenger Residence Hall. For the refunding bonds, the college has been asked to expand the revenue pledge to include revenue from the dining and book store auxiliary to solidify the creditworthiness of the refunding, including a \$150,000 cash contribution for the refunding from the college's auxiliary fund.

Current scheduling would have the HRA sell the refunding bonds shortly after the Board's approval and close the refunding in February.

**RECOMMENDED COMMITTEE ACTION:**

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

The draft Resolution attached hereto as **Attachment A**, providing for the issuance of refunding bonds to refund the tax exempt Series 2004 Series, Student Housing Lease Revenue bonds, issued by the Itasca County Housing and Redevelopment Authority.

**RECOMMENDED BOARD OF TRUSTEES MOTION:**

The Board of Trustees approves the following:

The Resolution attached hereto as **Attachment A**, providing for the issuance of refunding bonds to refund the tax exempt Series 2004 Series, Student Housing Lease Revenue bonds, issued by the Itasca County Housing and Redevelopment Authority.

*Date submitted to Board of Trustees: January 16, 2013*

**EXHIBIT A**

**AUTHORIZING RESOLUTION**

**OF**

**THE BOARD OF TRUSTEES**

**OF**

**MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**RELATING TO THE REFINANCING OF A RESIDENCE HALL  
AT ITASCA COMMUNITY COLLEGE**

**ADOPTED: \_\_\_\_\_**

**WHEREAS:**

A. The Housing and Redevelopment Authority of Itasca County, Minnesota (the “HRA”) previously financed the construction of a resident hall (the “Building”) for Itasca Community College (“ICC”), an administrative unit of Minnesota State Colleges and Universities, through the issuance of its Student Housing Lease Revenue Bonds (Itasca Community College Project) Series 2004 (the “Prior Bonds”), pursuant to a Mortgage Trust Indenture, dated as of December 1, 2004 (the “Indenture”), between the HRA and U.S. Bank National Association, as Trustee;

B. The Building is located on land that ICC currently leases from the University of Minnesota pursuant to a Lease Agreement between the University of Minnesota and ICC, dated April 28, 1966, as amended by various amendments thereto, including Amendment 12 thereto, dated December 1, 2004 (as amended, the “Ground Lease”);

C. To facilitate the financing of the Building by the HRA, as authorized by a resolution of the Board of Trustees, dated October 20, 2004 (the “Resolution”), ICC has subleased to the HRA a portion of the ICC Campus on which the Building is located, pursuant to a Ground Sublease, dated as of December 1, 2004 (the “Sublease”), between the HRA and ICC, and the HRA has leased the Building to ICC, pursuant to a Lease and Purchase Option and Operating Agreement, dated as of December 1, 2004 (the “Lease”), between ICC and the HRA;

D. In order to achieve debt service savings for ICC, it is proposed that the HRA will issue its Student Housing Lease Revenue Refunding Bonds (Itasca Community College Project) Series 2013 (the “Bonds”) to refinance the Prior Bonds. The proceeds of the Bonds will be used to prepay and redeem the Prior Bonds;

E. In connection with the issuance of the Bonds by the HRA, the Indenture and Lease will be amended and/or restated; and

F. This Board of Trustees has been provided with full information concerning the Building and the proposed terms of the refinancing for the Building, and other relevant matters.

NOW THEREFORE, be it resolved by the Board of Trustees of Minnesota State Colleges and Universities, as follows:

The Board of Trustees finds that the proposed refinancing of the Building to achieve debt service savings is advantageous and hereby authorizes the Chancellor or his designee to take all necessary actions in connection with refinancing of the Prior Bonds, the issuance of the Bonds by the HRA, and any necessary amendments of the Lease, Indenture or any related documents thereto. The Chancellor or his designee are further authorized and directed to execute and deliver on behalf of MnSCU any and all contracts, agreements, instruments, documents or other items related thereto. All actions heretofore taken by the Chancellor, his designee or any employee of MnSCU in connection with the refinancing of the Prior Bonds and the issuance of the Bonds by the HRA are hereby ratified and approved.

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

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities Committee    **Date of Meeting:** January 16, 2013

Agenda Item: FY2012 and FY2011 Audited Financial Statements

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

**Cite policy requirement, or explain why item is on the Board agenda:**

The purpose of this Board report is to present to the Finance and Facilities Committee of the Board of Trustees the audited, consolidated financial statements for the Minnesota State Colleges and Universities for the years ending June 30, 2012 and 2011.

**Scheduled Presenter(s):**    Laura M. King, Vice Chancellor – Chief Financial Officer  
Denise Kirkeby, Direct of Financial Reporting

**Outline of Key Points/Policy Issues:**

The systemwide audit, revenue fund audit, and the thirteen individual college and university audits, received unqualified opinion letters from the respective audit firms. In addition, there were no reported material weaknesses and one reported significant deficiency in internal controls. The opinion letters provide the Board and other users of the financial statements with assurance that the information is accurate and reliable in all material respects.

**Background Information:**

The financial statements were prepared by the Finance division of the system office with the assistance of the campus Finance departments and have been audited by the firm of CliftonLarsonAllen LLP. This is the third year of a four year contract with CliftonLarsonAllen LLP as the system auditor. These statements were presented to the Audit Committee by the Finance division and Clifton LarsonAllen LLP at the January 15, 2013 Audit Committee meeting.



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

**FY2012 and FY2011 Audited Financial Statements**

**BACKGROUND**

The purpose of this Board report is to present to the Finance and Facilities Committee of the Board of Trustees the audited, consolidated financial statements for the Minnesota State Colleges and Universities for the years ending June 30, 2012 and 2011. These financial statements were prepared by the Finance division of the system office with the assistance of the campus Finance departments and have been audited by the firm of CliftonLarsonAllen LLP. This is the third year of a four year contract with CliftonLarsonAllen LLP. as the system auditor. These statements were presented to the Audit Committee by the Finance division and CliftonLarsonAllen LLP at the January 15, 2013 Audit Committee meeting.

**AUDIT RESULTS**

The systemwide audit, revenue fund audit, and the thirteen individual college and university audits, received unqualified opinion letters from the respective audit firms. In addition, there were no reported material weaknesses and one reported significant deficiency in internal controls. The opinion letters provide the Board and other users of the financial statements with assurance that the information is accurate and reliable in all material respects.

The three external audit firms, CliftonLarsonAllen LLP; Kern DeWenter Viere, Ltd, and Baker Tilly Virchow Krause, LLP; presented their respective results of audits, including audit opinions, internal control matters and other required communications at the January 15, 2013 Audit Committee meeting.

The Revenue Fund and thirteen individual college and university financial statements have been incorporated into the consolidated systemwide financial statements along with the financial statements of the unaudited colleges. The Audit Committee recommended release of the audited statements, a motion that will be presented to the full Board of Trustees at the January 16, 2013 meeting.

All audited financial reports will be available on the system's website at:  
<http://www.finance.mnscu.edu/accounting/financialstatements/index.html>

**INFORMATION**

The systemwide financial report for fiscal years 2012 and 2011 is presented in accordance with Statement No. 35 "*Basic Financial Statements – and Management's Discussion and*

*Analysis – for Public Colleges and Universities*” as established by the Governmental Accounting Standards Board (GASB). The system’s financial information is presented in one column form as a “Business Type Activity”. The resources are still governed by the governmental fund based principles and continue to be accounted for in the general, special revenue, enterprise, agency, and revenue funds. Fund level information can be found in the financial statement supplemental schedules contained in a separate report (unaudited) titled “*Supplement to the Annual Financial Report for the year ended June 30, 2012.*” This supplemental report also contains financial statements for each college and university.

All university foundations plus the Century College Foundation and Fergus Area College Foundation are separately included in the related institutions’ financial reports and the system’s financial report. Reporting standards require the inclusion of component entities if found to be “significant” to the primary organization. The foundations and their auditors are very cooperative in adjusting their audit schedules in order to conform to the system’s financial reporting audit schedule.

### **Summary of Financial Results**

Fiscal year 2012 operating results yielded improvement in financial position at June 30, 2012, with a \$62.9 million net operating revenue surplus, compared to a prior year net operating revenue surplus of \$75.6 million.

- Net assets increased \$121.5 million or 6.5 percent; most of the increase was due to fiscal year 2012 capital appropriation revenue of \$56.4 million that funded capital asset investment, preservation and replacement.
- Income before other revenues, expenses, gains or losses, also termed “net operating revenue”, decreased from a surplus of \$75.6 million in fiscal year 2011 to a surplus of \$62.9 million in fiscal year 2012. This net operating revenue surplus is the net of \$1,879.2 million of operating and non-operating revenues less \$1,816.3 million of operating and non-operating expenses.
- Capital appropriation revenue of \$56.4 million plus other capital asset related revenue combined with the \$62.9 million net operating revenue surplus and generated a change in net assets of \$121.5 million, a slight decrease from the \$146.3 million change in net assets generated in fiscal year 2011.

### **Consolidated Statements of Net Assets**

The primary driver of change within the Statements of Net Assets between June 30, 2012 and 2011 is capital asset development and renewal activity related to the system’s 26 million plus square feet of academic and administrative buildings.

- New construction in progress of \$175.7 million was the primary factor increasing the capital assets balance, net of depreciation, by \$90.6 million.
- Capital asset financing came primarily from \$56.4 million of capital appropriation and \$22.5 million of new long-term debt.

- Net assets (e.g., net worth) increased \$121.5 million including a \$33.2 million increase in net assets invested in capital assets, net of related debt.

### **Consolidated Statements of Revenues, Expenses and Changes in Net Assets**

Fiscal year 2012 operating expenses of \$1,782.5 million averaged \$4.9 million per day when divided by 366 days. Looking at the operating expense number in relation to liquid assets, the system's \$836.2 million of unrestricted cash and equivalents plus unrestricted investments would be adequate to cover approximately 5.6 months of expenses, an improvement of 0.5 months from fiscal year 2011.

- Revenue sources funding operations included \$551.3 million of state appropriation; \$831.5 million of student payments, net of scholarship allowance; \$443.5 million of federal and state grants; and \$52.8 million of other revenue.
- Expenses supporting operations included \$1,203.2 million of compensation, \$210.9 million of purchased services (utilities, enterprise and other IT support, etc.), \$149.1 million of supplies, \$104.1 million of depreciation and other expenses of \$149.0 million.

### **Measuring, Monitoring and Improving Financial Health: Composite Financial Index (CFI) and Financial Health and Compliance Indicators**

The Composite Financial Index calculation uses four financial ratios and assigns a specific weighting to each factor in computing a single, composite measure of financial health. This CFI calculation methodology is also used by the Higher Learning Commission as a gauge of member institutions' financial health. Without detailing the actual calculation methodology, financial ratio values are converted into strength factors which in turn are weighted to allow summing of the four components into a single, composite value.

Institutions may have differing values across the four component ratios but still have equivalent overall financial health as indicated by similar composite scores. This approach allows easy comparisons of relative financial health across different institutions. Looking at the composite scores, *Strategic Financial Analysis for Higher Education* suggests a composite value of 1.0 is equivalent to very little financial health, in the for-profit world it could perhaps be viewed as a "going-concern" threshold value, while a composite value of 3.0 is considered to signify relatively strong financial health, an organization with moderate capacity to deal with adversity or invest in innovation and opportunity. CFI scores greater than 3.0 represent increasingly stronger financial health.

January's Audit Committee meeting included a high-level discussion of CFI, and the System's Annual Financial Report for the Years Ended June 30, 2012 and 2011 included much of the CFI information that follows within the Management Discussion and Analysis section of the report.

**Summary Ratios for FY2012 and FY2011**

The systemwide financial ratios and other measures presented below are generally consistent with prior years’ presentations. The focus this year is on the four financial ratios used in computing CFI. All system ratios are computed using financial data taken from the accrual financial statements.

*Note:* Higher values are deemed better for all ratios presented. The *Supplement to the Annual Financial Report* is available to view individual college and university financial statements and can be located at:

<http://www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/index.html>

The fiscal year 2012 CFI of 2.78 was down slightly compared to 2011’s CFI of 2.91.

The following table provides reference benchmarks for individual components of the CFI for achieving a total CFI score of 3.0, a sign of good financial position but with additional room for improvement.

	<u>Weight</u>	<u>Benchmark</u>	<u>System</u>	<u>2 Yr</u>	<u>4 Yr</u>
Primary Reserve	35%	1.05	0.98	0.82	0.92
Viability	35%	1.05	0.97	1.17	0.67
Net Operating Revenue	10%	0.30	0.23	0.13	0.38
Return on Net Assets	<u>20%</u>	<u>0.60</u>	<u>0.60</u>	<u>0.60</u>	<u>0.68</u>
Composite Financial Index (CFI)	100%	3.0	2.78	2.72	2.62

**Ratio Variability across Colleges and Universities**

There is considerable variability in individual 2012 CFI financial ratio values across the 31 colleges and universities. The following tables, which exclude foundations, highlight the broad range in the results:

	<u>High</u>	<u>Low</u>	<u>Median</u>
Primary Reserve – <i>resource availability</i>	1.54	0.38	0.81
Viability – <i>debt coverage</i>	3.50	0.33	1.04
Net Operating Revenue – <i>surplus or deficit</i>	0.67	(0.38)	0.11
Return on Net Assets – <i>asset stewardship</i>	1.93	(0.15)	0.53
Composite Financial Index (CFI)	5.62	0.48	2.87

All four measures show wide ranges of ratios, both in operating terms (Primary Reserve and Net Operating Revenue ratios) and balance sheet terms ( Viability and Return on Net Assets ratios). Capital investment rates and baseline capital assets and related depreciation requirements have significant impacts on these ratios.

Another perspective views the variability at mid points as a method for illustrating the diversion of the individual college and university ratios. The primary Reserve and Net Operating Revenue ratios and the relative narrow mid points illustrate the challenge colleges and universities face in managing difficult fiscal circumstances.

<b>Midpoint of Quartiles</b>	<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>4th</u>
Primary Reserve – <i>resource availability</i>	1.27	0.89	0.68	0.47
Viability – <i>debt coverage</i>	2.78	1.41	0.85	0.54
Net Operating Revenue – <i>surplus or deficit</i>	0.50	0.21	0.05	(0.21)
Return on Net Assets – <i>asset stewardship</i>	<u>1.33</u>	<u>0.61</u>	<u>0.35</u>	<u>(0.02)</u>
Composite Financial Index (CFI)	4.66	3.17	2.32	1.18

**Other Financial Measures**

There are additional financial metrics which are used to measure, monitor, and improve the financial condition of each college and university.

The Board required reserve ratio compares general fund cash-basis operating revenues to that portion of the general fund’s end-of-year cash balance that has been designated as a special reserve amount. The systemwide figure of 6 percent for fiscal year 2012 represents a reserve balance of \$99.8 million, an increase of \$7.9 million, from fiscal year 2011 and is equivalent to approximately two payroll cycles.

In fiscal year 2012, 12 of the system’s 31 colleges and universities generated negative net operating revenues using a generally accepted accounting principles measurement; this compares to 4 colleges and universities in fiscal year 2011. Of the 12 colleges and universities with negative net operating revenue in fiscal year 2012, only one also had negative net operating revenue in fiscal years 2011 and 2010. The significant number of institutions reporting net operating losses is attributed principally to the use of fund balance as a part of a budget strategy. Ongoing operating deficits negatively impact the ability of an institution to maintain normal operations under adverse economic circumstances and to implement new strategic initiatives. Negative unrestricted net assets generally indicate a college or university has experienced ongoing operating deficits.

	<b>FY2012</b>		<b>FY2011</b>		<b>FY2010</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Net operating revenue loss*</b>	12	39%	4	13%	6	19%
<b>Negative unrestricted net assets</b>	0	0%	0	0%	0	0%
<b>Board reserves below 3%</b>	0	0%	0	0%	1	3%

\* As shown in financial statements on line titled “Income (loss) before other revenues, expenses, gains, or losses.”

College and university financial performance is monitored by the Finance division on an ongoing basis. Monthly, quarterly, and biannual indicators are reported and discussed with the college/university leadership. Financial improvement plans are established where warranted and annual reporting to the chancellor occurs.

## **CONCLUSION**

The Minnesota State Colleges and Universities system maintained a relatively strong financial position in fiscal year 2012 despite receiving a \$62.0 million state appropriation reduction. The system maintained a relatively strong financial position in fiscal year 2012, as measured by the \$63 million net operating revenue surplus and the \$121.5 million increase in net assets. The system continues to rely heavily on state operating appropriation support to implement new programs tailored to the needs of the state's workforce, to maintain ongoing operations, and to devise the innovative strategies necessary to successfully manage the future challenges presented by a weak economy and a constantly evolving higher education marketplace.

The state, national and global economies have experienced the impacts of a significant recession throughout fiscal year 2011. As on the occasion of past increases in the general unemployment rate, the system experienced corresponding increases in enrollment. Overall enrollment levels at the colleges and universities have decreased 2.8 percent, and increased 1.6 percent, and 8.1 percent year over year in 2012, 2011 and 2010. Enrollment forecasts in 2013 and 2014 are stable or slightly declining compared to 2012. It is expected that enrollment will once again moderate as the state's unemployment rate declines. The current 2012 enrollment forecast represent a 12.3 percent increase over 2006 and a 3 percent increase over 2010. The system's colleges and universities have aggressively managed class sizes, course offerings, and hours of operations in order to serve as many students as possible.

State appropriation revenue was reduced in the fiscal years 2009, 2010, 2011 and 2012 although reductions were somewhat offset with one-time federal stimulus funds totaling \$79.2 million in fiscal 2010 and 2011. System leadership has worked tirelessly to minimize tuition increases and the detrimental impact of cost cutting on the system's approximately 3,800 educational programs; both efforts are aimed squarely at limiting the negative impacts of state reductions on students.

The changes in the federal financial aid program, in concert with the state and national economic conditions, has resulted in a substantial increase in federal financial aid participation by the system's students over the past three years. Reliance on state and federal financial assistance by current and future students is a state and national concern as affordability competes with the withdrawal of state support for public higher education. Further, the increased personal debt burden of today's students threatens participation and completion rates.

The continuing success of the system depends on a partnership with the state of Minnesota and its citizens. Preservation of the high quality, broadly accessible system of colleges and universities now available across the state will require continuing support from the state. The system leadership is committed to a statewide partnership with government, industry and the community to add to the prosperity of Minnesota. The system will also continue its aggressive management of costs and services to ensure efficient, effective operations on behalf of current and future students. The partnership enables the provision of accessible,

high value, affordable higher education in accord with the economic and intellectual needs of the state. The state's continued support is critical to maintaining both affordability and access for students.

*Date submitted to Board of Trustees: January 16, 2013*