

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

March 19, 2014

Finance and Facilities Committee Members Present: Chair Michael Vekich, Trustees Dawn Erlandson, Philip Krinkie, David Paskach, Thomas Renier, and Elise Ristau

Other Board Members Present: Cheryl Dickson, Clarence Hightower

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

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on March 19, 2014, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Vekich called the meeting to order at 10:43 a.m. and noted that Trustee Paskach was present by phone.

1. Finance and Facilities Update

Vice Chancellor King reported that Governor Dayton recommended an appropriation of \$17 million in ongoing operating support for employee compensation in FY2015, with an additional \$34 million for FY2016 - 2017. This funding will support efforts to provide contract settlements for Minnesota State Colleges and Universities (MnSCU) faculty, MMA, MAPE and AFSCME. The governor has also recommended providing MnSCU with increased flexibility in the use of these funds by eliminating restrictive language in law.

The legislative work concerning MnSCU's bonding proposal continues. The Board's recommendations have been presented to both the House and Senate Policy committees. Vice Chancellor King thanked Chair Vekich for his participation in the legislative presentations and Trustees Erlandson, Oliveira, Ristau, Sundin, Anderson Kelliher and Dickson for their presence at the committee meetings. Fifteen MnSCU presidents were also present. It is very powerful to have trustees and presidents present when addressing the legislature.

It is appearing unlikely that the bonding committees will be holding hearings on MnSCU's capital request. The presidents and their staff did a terrific job with the legislative visits this past summer and fall and there is high awareness of MnSCU projects and priorities.

The new financial aid process is continuing to function successfully; MnSCU processed a total of \$304 million in sweep delays while awaiting financial aid funds to post to local bank accounts.

Adverse impacts on campus buildings and systems as a result of this winter's heavy snow pack and deep freeze levels are an emerging concern. There have been reports of frozen and burst pipes, some roadway heaving, and utility cost and supply problems. More damage is expected as the frost levels recede. There are no reports of catastrophic impacts at this time.

The chancellor and the presidents have begun conversations on campuses and with statewide bargaining groups and student associations regarding 2016 - 2017 biennial budget planning. Each of the presidents will be hosting a campus dialogue with faculty, staff and students. Similar conversations will occur with all of the statewide bargaining groups and the student associations. Trustees will also be consulted in the upcoming months. The first reading of the legislative request will occur in October.

The Capital Investment Program (CIP) Report was issued and posted last month, outlining the status of MnSCU's ongoing capital development programs totaling \$454M in design and construction work. Trustees should have received a copy in the mail and can find it at <http://www.finance.mnscu.edu/facilities/design-construction/projectstatus>.

The 2014 Facilities Conference is planned for April 9 – 11, bringing together MnSCU facilities directors and safety, security, environmental and emergency management representatives. Session will cover topics from facilities planning, design, construction and operations to environmental and safety compliance, campus security and emergency planning.

1. Minutes of January 21, 2014

The minutes of the January 21, 2014 Finance and Facilities Committee were approved as published.

2. Minutes of the Joint Academic and Student Affairs and Finance and Facilities Committee – January 22, 2014

The minutes of the January 22, 2014 Joint Academic and Student Affairs and Finance and Facilities Committee were approved as published.

3. FY2016-2021 Capital Budget and FY2015 – 2020 Revenue Fund Guidelines (Second Reading)

Vice Chancellor King thanked the committee for their discussion on this item at the Joint Academic and Student Affairs and Finance and Facilities meeting in January. It was designed to promote conversation with the Trustees to make sure the guidelines have the correct focus on academics, target MnSCU's highest priorities, and solicit the right kinds of capital projects to support academics. Once the Board takes action, staff will begin the 2016 project planning process with a goal of recommendations for the Board's consideration in the spring of 2015.

Vice Chancellor King said that the proposed guidelines have been modified to reflect Board feedback and asked Associate Vice Chancellor for Facilities Brian Yolitz to recap the changes in the second reading.

Mr. Yolitz said that based on the Trustees' recommendations, the five key considerations have been reduced to four, but the elements have not changed. There was a sharper focus on academics in core consideration #1 (strategic regional and statewide academic program focus). The consideration concerning "minimizing new square footage" was eliminated and distributed throughout the entire program planning process.

In addition the Board requested that the chancellor obtain input from campuses on contemplated facility projects being pursued through funding outside of capital bonding or revenue fund bonding processes. Examples would be campus capital campaigns, gifts and grants, foundation sponsored projects, projects funded substantially through partnerships with private or commercial entities or city or county governments or state agencies. This information will be forwarded to the Board on an annual basis.

There was also strengthening of student consultation by including the process in the revenue fund topic within the guidelines.

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

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the FY2016 – 2021 capital budget guidelines and FY2015 - 2020 revenue fund capital guidelines as presented.

4. Acquisition of Property Related to Metropolitan State University Parking Ramp Construction

Vice Chancellor King reported that the university has been attempting acquisition of a single residential site on the parking ramp block at Metropolitan State University for over a year. The Board is asked to authorize eminent domain proceedings as a tool to accomplish the acquisition. Local and state political leadership have been consulted and have expressed support for the university's construction plans and no concerns related to this action have come forth.

Vice Chancellor King said Associate Vice Chancellor for Facilities, Brian Yolitz, would lead the presentation. Mr. Yolitz stated that President Sue Hammersmith and Dan Hambrock were present from Metropolitan State University to answer any questions that may arise regarding the presentation.

Mr. Yolitz reminded the Board that it approved the design and initial property acquisition for Metropolitan State University's Science Education Center as part of capital bonding and that work was funded and fully executed. Construction of this facility is the Board's number two priority with the legislature in 2014, and the project is on the governor's capital bonding recommendation.

In November, 2012, the Board approved revenue fund projects to construct a parking ramp and surface lots to meet the increased demand at Metropolitan State driven by growing enrollment and construction of a student center for activities and programs.

Design and plans have been approved by the city, including the property acquisitions. Mr. Yolitz mentioned that there was rigorous consultation and negotiations with community stakeholders, including neighborhood interest groups, district council leadership, St. Paul city council leadership, Mayor Coleman's office, Representatives Sheldon Johnson and Alice Hausman, and Senator Fong Hawj, Governor Dayton's staff, and Metropolitan State University's staff. In order to proceed with construction, three properties on Bates Avenue needed to be acquired and two of those transactions have already been completed. The third property has been in negotiations for quite some time and the delay of the acquisition is beginning to impact the construction and timeline.

The third property is a single story dwelling on one-tenth of an acre currently vacant. The last offer in late 2013, which included the appraised value (\$125,000) and relocation assistance (\$9,000) failed because title clearance was unsuccessful and since that time, the seller has been uncommunicative.

Because of their experience with such situations, MnSCU has been in contact with the Minnesota Department of Transportation (MnDOT) for assistance in moving forward. The desired outcome is still a mutually agreeable transfer through direct negotiation, however, MnDOT has been asked to conduct a field title survey and conduct an environmental investigation of the property, clear any property interests, along with executing an appraisal update. This would all lead to a best and final offer for direct purchase. If unsuccessful in this attempt, with Board approval today, MnSCU would proceed with a condemnation process outlined under authorities in Minn. Stat. §136F.60, and as prescribed in Chapter 117, Eminent Domain. This process would take four to six months.

Mr. Yolitz said, in summary, that there will be continued direct negotiations, however, Board authorized actions are desired as outlined in the motion.

Trustee Krinkie asked for clarification of what delay meant in terms of the construction. Mr. Yolitz said that if the property is not acquired, there would be an additional \$500,000 cost associated with building around it. Vice Chancellor King noted that generally MnSCU has been successful in their negotiation processes and this is the first time the Board has been asked to exercise this type of action.

Trustee Hightower asked if price disagreement was the reason for delay. Vice Chancellor King said MnSCU had an offer with the seller greater than the appraised value that was unsuccessful because of the title problems. With the Board's approval, MnSCU could move forward with gaining title clearance. Gaining title clearance is typically the seller's role, however, as stated earlier, the seller has been uncommunicative. These parking projects are being paid for by public funds, so MnSCU is conscious of the financial implications of delaying the project and must be prepared to proceed as needed. If direct negotiations fail, Board approval to exercise eminent domain will give MnSCU the ability to pursue title

clearance and the courts would establish a fair price for the property and assist with completing the transaction.

Chancellor Rosenstone said there was success in negotiating and acquiring the other two properties at fair prices. Because of title question and the uncommunicative nature of the seller, agreement has not been reached on the third property. Direct negotiations will continue, but as a last resort, the Board is being asked to approve the ability for MnSCU to exercise eminent domain.

Trustee Vekich asked if there could be assurance given that political constituencies are on board and that there will be no surprises. Vice Chancellor King replied yes; Senate and House leadership, along with legislative leaders and city politicians, are aware of this item coming before the Board and they have been supportive of the projects at Metropolitan State University.

Trustee Krinkie asked why there was a \$9,000 relocation fee if the property was vacant. Mr. Yolitz replied that at the time the offer was made, the seller had personal belongings that needed to be moved.

Trustee Vekich asked if eminent domain is exercised and the timeline for the construction is pushed out because of it, what additional costs will be incurred. Mr. Yolitz replied that there is not a specific number, but it will be significantly less than the costs resulting from building around the entire property currently estimated at \$500,000.

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

RECOMMENDED COMMITTEE ACTION:

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

1. The Board of Trustees finds that acquisition of property at 393 Bates Avenue, St. Paul, Minnesota, is necessary for the needs of Metropolitan State University.
2. The Board authorizes the chancellor or his designee to take all necessary steps to initiate and complete the acquisition via direct negotiation, settlement or the eminent domain process and acquire the property located at 393 Bates Avenue, St. Paul, Minnesota for the benefit of Metropolitan State University.

The meeting was adjourned at 11:35 a.m.

Respectfully submitted,

Laury Anderson, Recorder