

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

November 19, 2013

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

Other Board Members Present: Trustees Margaret Anderson Kelliher, Cheryl Dickson, Alfredo Oliveira, and Louise Sundin

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

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on November 19, 2013 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Vekich called the meeting to order at 3:00 p.m. and noted that Trustee Paskach was present by phone. Chair Vekich said that each Trustee would find a revised motion for the three Campus Service Cooperative contracts at their place. The revision combined the three recommended committee actions in the Board packet into one action item.

1. Minutes of October 23, 2013

The minutes of the October 23, 2013 Finance and Facilities Committee were approved as published.

2. Finance and Facilities Update

Vice Chancellor King reported that colleges and universities are updating their FY2014 operating budgets, taking into account fall enrollment results, the revised spring outlook, and Minnesota Management and Budget (MMB) contract settlements. Trustees may hear of colleges and universities' efforts concerning budget reductions in FY2014 or FY2015.

The FY2013 Financial Statement audits are in the final review stages. MMB is on target for a December 31, 2013 deadline for the Comprehensive Annual Financial Report (CAFR).

Vice Chancellor King said some of the Trustees have been aware of the work that has been going on in the Metropolitan State University east side neighborhood concerning construction plans for a new parking ramp and student center. Trustees Hightower and Vekich toured the site earlier this fall. The ramp is required to support the board's #1 2014 bonding priority for the new science building on the campus. The university has reached an agreement with the neighborhood that was unanimously endorsed by the community group last week. The agreement locates the ramp mid-block, moves the student center to 7th Street

and pledges to work with the city to calm traffic on Maria Street. Detailed design work is already underway. The ramp and student center construction will start in the spring. The ramp will be finished in January, 2015 and the student center in June, 2015.

Vice Chancellor King expressed thanks to President Lantry and Mayor Coleman for their steadfast support of the university and neighborhood partnership.

3. Proposed Amendment to Board Policy 5.21 Possession or Carry of Firearms (Second Reading)

Chair Vekich introduced the second reading of the proposed amendment to Board Policy 5.21 Possession or Carry of Firearms. The proposed changes would allow any employee who is a licensed peace officer to carry a firearm in accordance with law while in work status as a Minnesota State Colleges and Universities' (MnSCU) employee. The new language also provides that federally authorized law enforcement officials may carry firearms on system property consistent with federal requirements. The recommended changes also would delete part 8 of the current policy. This part provides that colleges and universities are to adopt policies consistent with board policy, which is redundant. Board Policy 1A.1 allows colleges and universities to adopt policies consistent with board policy and system procedure. No changes are proposed to the policy's prohibition of students and other employees from carrying firearms on system property.

Chair Vekich said no follow-up was received from Trustees, presidents or others.

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

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the changes to Board Policy 5.21 Possession or Carry of Firearms.

4. Proposed Amendment to Board Policy 5.23 Security and Privacy of Information Resources (Second Reading)

Chair Vekich introduced the second reading of proposed amendment to Board Policy 5.23 Security and Privacy of Information Resources. The proposed changes would add the requirement that Minnesota State Colleges and Universities adopt plans, programs, and training consistent with the commitment, direction, and expectation to minimize risks with regard to information resources.

Chair Vekich said no follow-up was received from Trustees, presidents or others.

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

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves the changes to Board Policy 5.23 Security and Privacy of Information Resources.

5. Campus Service Cooperative Contracts Exceeding \$3 Million

Vice Chancellor King introduced Colin Dougherty, Managing Director and Jason Cavallo, Strategy Director and Lead Project Manager with the Campus Service Cooperative and Todd Jagerson, Chief Information Officer at Dakota County Technical College (DCTC) to present the three Campus Service Cooperative (CSC) contracts.

Mr. Cavallo thanked IBM, the Itasca Project, Chancellor Rosenstone and campus leaders for their help with sourcing and leveraging throughout the system. Participants in the Itasca Project have a vested interest in the success of higher education in Minnesota and are leaders in both strategic sourcing and shared services. United Health Group (UHG), with 250 employees working in procurement across the globe, has been helping the CSC with strategic sourcing strategies. Mr. Cavallo recognized Julene Donnay and Eric Noyes of UHG. Ms. Donnay has been working full-time, on-site at the CSC, helping with procurement. The CSC will use resources throughout the system to create efficiencies modeled by UHG.

Mr. Jagerson said that at DCTC, being a smaller college in the outskirts, there is importance of getting the full value out of purchases and to do the work really well, one time. Mr. Jagerson is working with District 917, located in DCTC, as well as looking into working with other local K-12's to find ways that they, too, can benefit from the work done by the CSC in managed print services, and IT. Mr. Jagerson said that the CSC has already identified best values so he does not have to spend time meeting with vendors.

Mr. Cavallo said the CSC has been working with the University of Minnesota and the Department of Administration on all contracts presented today. Working jointly, all of the agencies involved will be able to benefit from the purchasing card and managed print contracts.

Mr. Cavallo said with the proposed purchasing card contract, the CSC will be able to double the rebates the system is already experiencing. Currently, purchasing is a costly, paper laden process with many different vendors and agreements across the system. It costs approximately \$150 to process one purchase order and there are thousands per campus processed each year. A collective agreement will drive down the prices. The CSC is recommending approval of a purchasing card contract for all campuses and the system office that will improve controls, efficiency, compliance and return on investment.

The system is currently using twelve different IT vendors. The proposed agreement will reduce the vendors to two, which the system CIO community helped identify. Mr. Jagerson said the brand of the computer was not the primary reason for vendor selection – it was the specifications and standards needed at the campuses. The specifications were presented to the vendors, who then came back with pricing, service, and warranty information. Now Micro and CDW-G were selected. Mr. Jagerson said DCTC expects an annual saving of 13% resulting in \$100,000 to reinvest each year. Mr. Cavallo added that when campuses are in need of product or service, they will have the leverage to speak as MnSCU, not an individual school.

Trustee Dickson asked, if the current price to process a purchase order is \$150, what will the new cost be? Mr. Cavallo replied that it would be reduced by approximately one-third to one-half and that will be dependent on the process execution behind it.

Trustee Benson inquired if the Board will someday see a motion before them that will address items such as hammers, tractors, or lawnmowers. Mr. Cavallo said that the CSC has addressed high commoditized items first that could be tackled quickly and yield significant savings. Presidents will help address what comes next. Food services, equipment and energy have already been identified.

Trustee Krinkie asked why not purchase off of the state vendor system. Mr. Cavallo replied that the state vendor system is used for items such as cellular and courier service; however, there is an opportunity for larger savings in other areas. The State is a partner in the managed print and purchasing card agreements, for which MnSCU pursued the RFP. Trustee Krinkie inquired as to why IT was a separate agreement and how could MnSCU obtain a better contract than the State. Mr. Cavallo said it was because of IBM's and UHG's position to further negotiate pricing, and MnSCU's ability to identify what was spent on specific items (SKUs), instead of a requesting a list price discount.

Trustee Vekich asked about the length of the contracts, projected saving and contract start dates. Mr. Cavallo said that each was a three year contract with two one-year extension options. For the purchasing card there is actually \$30 million of spend that goes through, and the CSC is expecting \$6 million in rebates by switching from a paper to electronic process. The start date is still being negotiated. On IT hardware and software, \$12 million is spent annually and \$1.2 million is the expected savings over the life of the contract and the contract is ready to be signed; \$7 million is spent on managed print annually and the CSC is looking to save \$4.2 million over the life of the contract. The managed print is in a pilot program at a couple of the campuses. Trustee Vekich asked about acceptance from the campuses. Mr. Cavallo replied that change is hard, but there is support from the campus leadership. Campuses are not required to purchase off of the contracts, however, metrics will be provided. If campuses can find better pricing, it should be shared with the CSC.

Trustee Anderson Kelliher asked if the savings are bottom line savings. Mr. Cavallo said 100% of the savings go back to the campuses. With sourcing savings, two thirds is deployed to the campus and one third is kept by the CSC to help pay for the initiative.

Trustee Oliveira asked if the projected savings were based on the assumption that all campuses would participate and if there has been pushback from any of the campuses. Mr. Cavallo said the goal is to have 100% participation and the key to understanding will be in the metrics. When pushback occurs, the current spending and projected savings explained and generally, the result has been buy-in. Chancellor Rosenstone added that there are two ways to proceed – carry a big stick and demand the contracts are utilized, or follow the process which Mr. Cavallo explained that builds on commitment and informed decision making. The metrics have already been shared with the presidents at Leadership Council. The presidents have been instructed that they are welcome to use a different vendor as long as it is a better deal, but then they need to share so others can get in on the best pricing possible.

Trustee Benson asked if there could be potential resistance from any of the smaller schools that may have a relationship with a local vendor that may not be the best value or most efficient. Mr. Cavallo replied the biggest impact that a campus has on a community is the jobs and education that it brings which helps local business. Saving money by the campuses will help preserve jobs in the local community.

Trustee Vekich asked Ms. Donnay and Mr. Noyes to say a few words. Ms. Donnay's career has been in sourcing; she has worked for UHG since 2005, specializing in procurement. As a loaned executive to the CSC, Ms. Donnay (a three-time MnSCU alumna) has been observing current processes, and providing insight to items that should be considered as the work progresses. Mr. Noyes leads the UHG strategic sourcing initiative including RFPs and reverse auctions. The group that he and Ms. Donnay work in is Enterprise Sourcing and Procurement, and he has been with UHG for 17 years. Trustee Vekich thanked them on behalf of the Board of Trustees for their involvement and commitment.

Trustee Dickson suggested it would be nice for past Trustees to receive a report on the progress that has made through the CSC as a result of their prior support and work.

Trustee Cirillo asked Ms. Donnay if there was a way that the CSC could give her more exposure to the campuses. Ms. Donnay said she had traveled with Mr. Dougherty and Mr. Cavallo to Alexandria Technical College. It was beneficial because Ms. Donnay made some recommendations which put some reservations at ease. This is campus collaboration, not a mandate, and working together will help build leverage through expertise.

Trustee Anderson Kelliher asked if there is anything more that the Board should know about the work in progress. Mr. Noyes responded that the key is using successes as sales tools. Because the CSC team is small, it is important to identify individuals who have a vested interest in the success of the CSC, like Mr. Jagerson, to help others get on board.

Mr. Dougherty thanked Mr. Noyes and Ms. Donnay and said that there is tangible evidence of their work in the CSC contracts that are presented today. In addition to UHG, Cargill will also be providing a loaned executive to help with processes and global services. Mr. Dougherty said opportunities ahead are bigger than anyone realized, but so is the

implementation. IBM has brought tools to help with change management. A track record of success will also help.

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

RECOMMENDED COMMITTEE ACTION:

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

The Board of Trustees approves execution of three contracts: 1.) To Managed Print Supplier/s, not to exceed \$21 million for a term not to exceed three years, with two additional one-year options; 2.) Execution of contracts with NowMicro and CDW-G, for a combined total not to exceed \$36 million and a term of three years, with two additional one-year options; 3.) Execution of a contract with the selected Purchasing Card vendor for a term not to exceed three years.

The Board directs the Chancellor or his designee to execute all necessary documents.

The meeting was adjourned at 3:57 p.m.

Respectfully submitted,

Laury Anderson, Recorder