



**FINANCE AND FACILITIES COMMITTEE  
MAY 21, 2014  
9:30 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 the Finance and Facilities Committee of April 23, 2014 (pp. 1 - 4)**
- (2) FY2015 Operating Budget (First Reading) (p. 5)**
- (3) Legislative Results Including 2014 – 2019 Capital Budget (p.6)**

Members

Michael Vekich, Chair  
Dawn Erlandson, Vice Chair  
Duane Benson  
Phil Krinkie  
David Paskach  
Thomas Renier  
Elise Ristau

**Bolded** items indicate action required.

**MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD OF TRUSTEES**

**FINANCE AND FACILITIES COMMITTEE**

**MEETING MINUTES**

**April 23, 2014**

*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: Ann Anaya, Alexander Cirillo, Cheryl Dickson, Clarence Hightower, Alfredo Oliveira, Maria Peluso*

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

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on April 23, 2014, 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 9:15 a.m.

**1. Finance and Facilities Update**

Vice Chancellor King noted that the Board has been receiving regular updates on the supplemental budget request from the Minnesota State Colleges and Universities' (MnSCU) Advancement office. This funding would support contract settlements for MnSCU faculty bargaining units. Governor Dayton's recommendation included an appropriation of \$17 million in FY2015, and continuing in FY2016 and FY2017. The House recommended \$17 million in FY2015, and \$14 million in FY2016 and FY2017. The Senate recommendation included \$17 million in FY2015, and no funds in FY2016 and FY2017. The conference committee has just begun to meet. MnSCU staff will attend the meetings and update the Board on the committee's progress.

Governor Dayton and the House have made their recommendations concerning MnSCU's bonding proposal. The Senate has not yet released their proposal. The Board will be updated on new developments. Vice Chancellor King thanked the presidents and their staff for a terrific job with the legislative visits this past summer and fall, and there is high awareness of MnSCU's projects and priorities.

The annual facilities conference was held at the system office April 9 – 11. Nearly 100 facilities, safety, security, emergency management and environmental compliance staff from the colleges, universities and the system office were in attendance. Topics included a host of facilities planning, design and construction and compliance issues, including plans for implementing the capital budget guidelines approved by the Board in March of this year.

Chancellor Rosenstone has asked each of the presidents to hold campus conversations with faculty, staff and students to solicit recommendations regarding 2016 - 2017 biennial budget planning. Similar conversations will occur with all of the statewide bargaining groups, student associations, the Finance committee and Board members. It is anticipated that the Board's first reading of the 2016-2017 legislative request will occur in October, 2014.

The legislative auditor released its report in March, 2014 concerning general obligation (GO) bond proceeds and Audit committee members received a summary of the work and the findings. The scope concerned projects funded in 2008 and 2010 with obligation GO bond proceeds. The total scope was \$1.5 billion, which included \$327 million appropriated to MnSCU for capital improvement and HEAPR projects across the system.

There were seven citations of MnSCU campuses in the report where remedial action is required. Four of them have been resolved which involved repayment of about \$300,000 for disallowed costs. The remaining three await guidance from MMB before action can be taken. Auditor's comments were directed at MMB that clearer guidance around participation in the GO program should be provided. Vice Chancellor King said that considering the scope of the program, the work surrounding GO bond proceeds is well managed by the facilities team at the system office and at the campuses.

Trustee Krinkie asked about the status of the outstanding citations. Vice Chancellor King replied that they are concerning MMB's guidance on technology and scoping in the bonding program. The timetable for new guidance from MMB is unknown.

Colleges and universities are preparing their FY2015 operating budgets for Board approval. The FY2015 operating budget will include an undergraduate tuition freeze and additional limits on fee increases and graduate tuition rates. The first reading in May will include a legislative funding update and enrollment, tuition, and fee information. Individual operating budgets for each college and university will be presented at the June board meeting after legislative supplemental funding decisions are known. Trustee Hightower inquired about the conference committee's response. Vice Chancellor King responded that it would not likely come within the next two weeks.

## **2. Minutes of March 19, 2014**

The minutes of the March 19, 2014 Finance and Facilities Committee were approved as published.

## **3. Authorization to Negotiate Foundation Housing Agreement at Central Lakes College – Action Item**

Vice Chancellor King introduced that Brian Yolitz, Associate Vice Chancellor for Facilities, who will lead the presentation.

Mr. Yolitz introduced President Larry Lundblad, Chief Financial Officer Kari Christiansen from Central Lakes College, and Pam Thomsen, Executive Director from the Central Lakes College Foundation. Mr. Yolitz said that Central Lakes College (CLC) and the CLC Foundation are seeking approval of an agreement for the Foundation to finance, construct and operate student housing on the Brainerd campus at Central Lakes College by means of a ground lease. The proposal is similar in form to the transactions at Thief River Falls and Worthington approved by the Board in January, 2014.

Mr. Yolitz said students at CLC are in competition for housing that is near the campus. The proposed apartment project location is on a parcel of college owned property along County Road 48. There are privately owned apartments directly south and to the northeast of that property site which caters to a blend of students and traditional renters.

The Board has statutory authority to pursue 2 year housing developments under Minnesota Statute 136F.60, Subdivision 3c. Major details for the proposed project include that the CLC Foundation is the developer and is responsible for the design, financing, construction and operation of the apartment building. The design and siting is consistent with the CLC's master facilities plan and design standards. The college would provide a ground lease to the Foundation to allow for the project. There will be no revenue guaranteed by the college.

The Foundation approached the college about student housing and engaged Maxfield to conduct market research to evaluate demand for a new student housing development. Current apartments in the immediate area around the college were built in the 1970s and 1980s, although some newer developments are located in Baxter and around town. The current vacancy rates are running around 2.6%, which is very low. CLC's FY2013 FYE is 3,370 and has been relatively stable.

Details of the project include an estimated development cost of \$8 - \$10 million with approximately 170 beds. The units will include a mix of studio, two and three bedroom apartments and the rent range will be \$300 - \$600, all inclusive. Completion would be in August, 2015.

Mr. Yolitz noted that the Foundation has done a tremendous amount of due diligence and has benchmarked this project off of a similar project at Alexandria Technical College. CLC is also preparing to support the student service needs that will arise as a result of this project and will enter into an arrangement to provide security and related support.

Mr. Yolitz introduced the motion and asked the Board if there were any questions. Trustee Dickson said she supports the project, and asked if the two and three bedroom units were meant for families. Ms. Thomsen said that the mix was based on a market study (Maxwell) which determined that there was demand for price sensitive housing and rooms that would rent as double or single occupancy. Because of electrical and mechanical needs, the design included two three-bedroom units. Trustee Dickson said that the rent seemed a bit expensive. Ms. Thomsen said that the units' rents are all inclusive on all utilities and there are no additional charges contemplated for parking at this time.

Trustee Erlandson asked if there has been an increase in demand for housing at the two year schools. President Lundblad said that the housing project stemmed from student demand. Because of affordability, more students are starting out at two year schools. Students are enrolled at CLC from more than 30 states, and some international students are also enrolled.

Trustee Vekich asked what effect that this project would have on the Foundation if the occupancy projections are not correct. Ms. Thomsen said that based on the projections from the market study, occupancy goals will likely be achieved. The Foundation has an unrestricted fund of \$1 million that would cover any shortfall in the first two years. Ms. Thomsen added that the lease agreement can be renegotiated after the 30 year term is up, or there would be an option to demolish it if it does not meet student needs. (Mr. Yolitz noted that provisions are in the ground lease arrangement to require insurance for demolition costs if required.)

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

**RECOMMENDED COMMITTEE ACTION:**

The Board of Trustees delegates authority to the chancellor or the chancellor's designee to continue negotiations, up to and including execution of ground leases and related documents with the CLC Foundation for student housing at Central Lakes College. The Board further directs that final agreements with the CLC Foundation shall be consistent with the terms and conditions outlined herein, and shall be subject to the approval of the chancellor or the chancellor's designee.

The meeting was adjourned at 9:42 a.m.

Respectfully submitted,

Laury Anderson, Recorder

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** May 21, 2014

**Title:** FY2015 Operating Budget (First Reading)

**Purpose (check one):**

Proposed  
New Policy or  
Amendment to  
Existing Policy

Approvals  
Required by  
Policy

Other  
Approvals

Monitoring /  
Compliance

Information

**Brief Description:**

Board Policy 5.9, Biennial and Annual Operating Budget Planning and Approval, requires the Board of Trustees to approve the systemwide annual all funds operating budget plans for colleges, universities and the system office. This is the first reading of the Minnesota State Colleges and Universities' fiscal year 2015 (FY2015) operating budget.

Materials will be mailed out prior to the Board meeting.

**Scheduled Presenter(s):**

Laura M. King, Vice Chancellor - CFO

Deborah Bednarz, Director – Financial Planning and Analysis

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** May 21, 2014

**Title:** Legislative Results Including 2014 – 2019 Capital Budget

**Purpose (check one):**

Proposed  
New Policy or  
Amendment to  
Existing Policy

Approvals  
Required by  
Policy

Other  
Approvals

Monitoring /  
Compliance

Information

**Brief Description:**

Staff will provide a summary of the outcomes of the legislative request concerning the 2014 – 2019 capital budget. Materials will be distributed at the Finance and Facilities Committee meeting.

**Scheduled Presenter(s):**

Laura M. King, Vice Chancellor – CFO  
Brian Yolitz, Associate Vice Chancellor for Facilities