

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

BOARD ACTION

PROPOSED AMENDMENTS TO BOARD POLICIES:
1A.1 MINNESOTA STATE COLLEGES AND UNIVERSITIES ORGANIZATION AND ADMINISTRATION;
1A.3 SYSTEM ADMINISTRATION, CHANCELLOR; AND
5.14 PROCUREMENT AND CONTRACTS

BACKGROUND

Board policies and system procedures are reviewed on a five year rotating cycle. They may also be reviewed as the need arises. As the board works to strengthen its governance of the system, some board policies within Chapter 1, System Organization and Administration, were reviewed. In addition, one policy in Chapter 5, Administration, was reviewed.

- Board Policy 1A.1 Minnesota State Colleges and Universities Organization and Administration (Second Reading)
- Board Policy 1A.3 System Administration, Chancellor (Second Reading)
- Board Policy 5.14 Procurement and Contracts (Second Reading)

Amendments to strengthen board oversight and clarify structures are recommended in these policies. These proposed amendments to board policies were reviewed as first readings on October 22, 2014. Full copies of the policies are attached for the board's consideration (second reading).

1A.1 MINNESOTA STATE COLLEGES AND UNIVERSITIES ORGANIZATION AND ADMINISTRATION

Proposed revisions include:

- Updated language in the board's vision and mission statements to reflect the board's adoption of the strategic framework.
- Clarification that the system procedures will be made available electronically to the college, universities, and general public in the same manner as board policies.
- Language requiring that the board be given notice when a policy or procedure has been published.
- A change that eliminates the need to print paper copies of policy and procedures.

1A.3 SYSTEM ADMINISTRATION, CHANCELLOR

Proposed revisions to Board Policy 1A.3 require that all chancellor contracts, changes in contracts and changes in remunerations be approved by the Board of Trustees. Other revisions include the establishment of a Chancellor Performance Review committee that shall consult with other members of the board and may seek advice and input by engaging a professional, trained and experienced in executive performance evaluation. This proposed change replaces an ad hoc committee that tasked the executive director of internal auditing to gather data for the evaluation.

The proposed revision brings the policy in line with the same language in the chancellor's employment contract. The proposed amendments specifically include:

- The chancellor shall be evaluated by the board annually based on goals and objectives approved by the Chancellor Performance Review Committee.
- The chair of the board shall annually appoint a Chancellor Performance Review Committee comprised of four members of the board including the board chair and the board vice chair.
- The Chancellor Performance Review Committee shall:
 1. Meet with the chancellor annually in October to establish mutually agreeable goals and objectives, methods for requesting information from other individuals, and timeline for the evaluation process;
 2. Review the chancellor's self-appraisal and meet with the chancellor at least annually to discuss the chancellor's performance, identify opportunities for improvement, and priorities for the subsequent year;
 3. Provide the chancellor a written evaluation of the chancellor's performance;
 4. Upon completion of the review, meet with the board and the chancellor to report on the results of the chancellor's performance evaluation;
 5. Recommend to the board action on merit salary increase or other terms of employment, as appropriate.
- The Chancellor Performance Review Committee shall consult with other members of the board and may seek advice and input by engaging a professional, trained and experienced in executive performance evaluation.
- All meetings of the Chancellor Performance Review Committee are non-public, personnel meetings; however, the Chancellor Performance Review Committee will issue a public report summarizing the annual evaluation.

5.14 PROCUREMENT AND CONTRACTS

In August, 2014, the chancellor appointed a group to examine Board Policy 5.14, Procurement and Contracts. The group included Presidents Phil Davis and Richard Hanson (Leadership Council Finance Liaisons) and Vice Chancellor King. Trustees Vekich and Erlandson consulted with the group.

The chancellor asked the group to consider the following questions:

1. Review current board policy and practice concerning contract approval levels
2. Review the current reporting and monitoring methods
3. Provide available national best practice insights concerning board governance standards and practices
4. Recommend any changes to policy or reporting practices in order to assure the board has appropriate oversight and due diligence.

The current assurance framework in board policy and system procedure is as follows:

- Board approval required
 - College and university and system office all funds operating and general obligation and revenue fund capital budgets
 - Selection of the system pension plan administrator and investment advisor
 - Capital program and delegation to chancellor authority to implement approved programs
 - All professional/technical/procurement and interagency contracts over \$3,000,000, excluding construction program related contracts
 - Real estate transactions valued greater than \$1,000,000 or one percent of the college or university annual operating budget
 - All sales of real property valued at or greater than \$250,000
 - All bond sales and approval of underlying projects

- The delegation architecture between the board and the chancellor
 - Chancellor/designee required
 - All contracts above \$100,000
 - All real estate transactions not requiring board approval
 - Presidents approve below \$100,000 unless otherwise delegated

A review of board policies and practices for eight other higher education systems showed that delegation structures vary widely and are highly dependent upon the legal and operational relationship with a state government. There is variability both between the board and the chancellor and between the chancellor and presidents.

The group concluded that:

1. Current \$3,000,000 board approval level for professional technical and other service contracts and procurements is higher than typically found;
2. Additional periodic board reporting would improve oversight and awareness

The group also recommended that no changes be made to the construction contract program.

Based on its review, the group proposes the following amendments in the policy:

- Decrease threshold for board approval of all contracts and procurements from \$3,000,000 to \$1,000,000. Note that this would not apply to contracts associated with projects otherwise approved by the board in the capital program per Board Policy 6.5.
- Leave in place the \$3,000,000 threshold for interagency agreements with other governmental units like MMB, DEED, University of Minnesota, etc.
- Add a biannual reporting requirement for all contracts subject to this policy and over \$1,000,000. This report would likewise exclude the construction related contracts since those are reported in the biannual capital Improvement report.

The effect of this change will be an increase in the number of Finance and Facilities Committee agenda items. Had it been in place the past few years, there would have been 7-11 additional items.

RECOMMENDED MOTION

The Board of Trustees approves the amendments to Board Policies:
1A.1 Minnesota State Colleges and Universities Organization and Administration;
1A.3 System Administration, Chancellor; and
5.14 Procurement and Contracts.

Date of Adoption: November 19, 2014

Date of Implementation: November 19, 2014