

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

May 20, 2015

Finance and Facilities Committee Members Present: Chair Michael Vekich, and Trustees Jay Cowles, Duane Benson, Philip Krinkie, Maleah Otterson, Erma Vizenor

Other Board Members Present: Trustees Margaret Anderson Kelliher, Kelly Charpentier-Berg, Alexander Cirillo, Dawn Erlandson, Robert Hoffman, Elise Ristau and Louise Sundin

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

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on May 20, 2015, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Vekich called the meeting to order at 9:00 a.m.

Minutes of April 22, 2015

The minutes of the April 22, 2015 Finance and Facilities Committee were approved as written.

Finance and Facilities Update

Vice Chancellor King offered the committee several updates.

College and university budget information for FY2016 is pending and will be provided at the June Board Meeting.

There are several milestones in Facilities areas – groundbreaking at Northland for the aviation center, this is a \$5.9 million project that was funded in the 2014 bonding bill. There was also a groundbreaking for the new residence hall at Mankato, this is a revenue fund project that was funded as part of the 2015 bond sale (\$32 million project). Vice Chancellor King had no further updates and passed on to the regular agenda items.

Approval of Contracts Exceeding \$1M

North Hennepin Community College Construction Contract - Mr. Brian Yolitz, Associate Vice Chancellor for Facilities, addressed the committee with a campus funded renovation project at North Hennepin Community College as described on page 5 of the board packet for consideration and approval. Students have been an integral part of the financial strategy and had input on the project scope.

Mr. Yolitz noted the motion on page 7 of the board packet which makes the recommendation authorizing the chancellor or his designee to execute a construction contract not to exceed

\$1,700,000 for purposes of the renewing the Campus Center on the North Hennepin Community College campus.

Mr. Yolitz asked for questions or comments. Trustee Otterson inquired if the funding is \$1.6 million, why is \$1.7 million being requested. Mr. Yolitz responded that if the bids come in a little higher the money would be available. Trustee Chair Vekich entertained a motion to adopt the recommendation. The motion was made by Trustee Benson and seconded by Trustee Cowles. The motion was adopted.

Information Technology Services Authorizations - Vice Chancellor King referenced the two contracts for approval on Page 12 of the board packet material, the first is:

Interagency Agreement with State of Minnesota Exceeding \$3M

Concerns an interagency agreement with the State of Minnesota and their IT organization known as MNIT. There has been a long-standing relationship between MnSCU and the state to combine resources in purchasing and scale to provide wide area network services. This contract allows the system IT organization to continue the relationship. It is funded in the base budget of the system IT organization. If approved by the board the contract would run from July 1, 2014 to June 30, 2019.

Information Technology Services Licensing Contract with Uniface which is a vendor that provides deployment opportunity to the IT core infrastructure of the integrated student record system. The relationship has been in place for some years. It's a sole source provider, a narrowly scoped product and with the board's approval this product would run from August 1, 2014 and for (5) years at a cost not to exceed \$2 million. This product is also in the system IT organization's base budget.

Mr. Ramon Padilla, Jr., Vice Chancellor and Chief Financial Officer, explained that because the \$1 million board-approval threshold was only recently put in place, this contract previously did not require board approval. Vice Chancellor King expounded that this is a transaction that otherwise staff would extend from year to year. Because the next extension would take both over \$1 million, in the interest of board policy the items are before you. Chair Vekich inquired whether the contract would run out year to year.

Vice Chancellor King clarified by responding that MINIT, it is an annual relationship and by presenting to the board now saves from having to address the board every year for a continuing relationship. The same applies to Uniface, it would require otherwise an annual board action.

Chair Vekich asked for clarification on whether a 5 year contract is entered or if the committee is seeking approval of each year in advance. Vice Chancellor King asked that the board authorize for the next 5 years at the not to exceed amount and leave it to the staff to negotiate how it is structured contractually. Trustee Hoffman asked if not to exceed \$16 million is a 5 year agreement and is it's an increase because it exceeds \$1M

Vice Chancellor King responded that in the past this type of relationship did not come to the board, it was a government-to-government relationship and viewed as a procurement; not a

contract, inter-agency agreement, or memorandum of understanding. Because of the change in board policy 5.14, it is now subject to the \$1 million threshold.

Chair Vekich asked for clarification that since the threshold has changed whether the July 1, 2014 contract was handled under the previous policy and whether July 1, 2015 should be used going forward. Vice Chancellor King confirmed that this statement is correct and will be noted in the minutes.

Chair Vekich asked if the committee was comfortable approving something in advance with a “not to exceed” amount. Since there were no responses, Chair Vekich asked that the motion be changed to authorize the obligations forward from July 1, 2015 for MNIT and August 1, 2015 for Uniface.

Vice Chancellor King pointed out the map from the material. The relationship that MnSCU has built with MINIT around the wide area network is remarkable. It’s a cost effective way for students to be served and for public resources to be deployed. This was one of the relationships that was compelling when faced with the shutdown five years ago. On this network is the fire safety systems, public emergency systems, and local government systems that uses hubs that Vice Chancellor Padilla’s team maintains.

Trustee Cirillo asked if there were any schools, universities or institutions that are not in this network. Vice Chancellor Padilla responded that it serves all of MnSCU institution as well as public and private institutions.

Chair Vekich stated that the motion should be changed to reflect 2015 to 2019 since 2014 was governed by the previous policy, and add a clarification to the motion that it is for the 5 year period. Trustee Benson made the motion with the amendment. It was seconded by Trustee Cowles and adopted.

2015 Legislative Summary

Vice Chancellor King indicated that she would discuss the implications from the legislative sessions that have fiscal impact. Melissa Fahning was invited to provide information on policy changes in the higher education and other bills that impact colleges and universities.

Ms. Fahning thanked all for their involvement and support during the legislative session. The 2015 session adjourned May 18, 2015. The transportation and tax bills were not passed this session. There is an agreement to leave \$1 billion of the almost \$2 billion state surplus to see if there can be an agreement reached next session. Almost \$42 billion was left for the 2016-2017 biennium total state spending, including higher education.

Governor Dayton intends to veto the E-12 Education finance bill, triggering the need for a special session. The governor is not expected to call a special session until an agreement is reached. The higher education bill has not been signed. The governor, house speaker and senate majority leader did come to an agreement on the higher education bill. The target was \$166 million.

Melissa reported on the policy provisions included in the higher education bill as more fully outlined in the material provided the committee:

Presidential selection process. There was language adopted asking the board to implement a public written policy that lays out the procedure for presidential selection.

Timely completion. The bill included language that directs the Board, with input from the stakeholders, to submit a report to the legislature that outlines a plan for timely completion at all the colleges and universities.

Concurrent enrollment/PSEO program. The E-12 bill includes funding of \$680,000 to expand the program. There is also some policy language.

NASEP accreditation required. All programs are required to achieve accreditation by 2020-2021.

Attainment goals for higher education. A statewide higher education attainment goal was adopted that establishes the goal for the number of Minnesota residents ages 25 to 44 who holds post-secondary degrees or certificates as at least 70 percent by 2025. Every year the Office of Higher Education will be asked to report the state's progress reaching that goal.

Teacher shortage forgiveness program established. A teacher would be eligible if they are teaching in a certain licensure field and in a region identified with a teacher shortage. There is some funding.

Campus sexual assault. There is funding involved for colleges and universities to implement the policy that was put together. Training and documentation of training will need to be provided.

Contract ratification bills. Contracts for faculty groups and the administrators plan were passed and signed by Governor Dayton.

Jobs and economic development bill. There is \$800,000 in the bill for a customized training program for manufacturing industries for Central Lakes College, Minnesota West Community and Technical College, and South Central College. There is \$900,000 that will be appropriated to the Minnesota High Tech Association for an internship program for students in STEM fields which will be available for all students including higher education students in Minnesota.

Agricultural program. \$4 million was appropriated for the Minnesota Agriculture Education Leadership Council (MAELC) to help farm business management programs. \$225,000 was appropriated to MnSCU for statewide mental health counseling support for farm families. This is ongoing money.

The 2016 legislative session, which is the "bonding session" starts on March 8, 2016.

Chair Vekich thanked Ms. Fahning for her report and asked for questions and comments. Trustee Krinkie asked if there was any information concerning the possibility of a 2015 bonding bill. Ms. Fahning replied that there was no money in the preliminary bonding bill for MnSCU but there was some language for other projects.

Trustee Sundin commented that the K-12 chair does not refer to it as basic skills program, it is a second year college skills exam. Under the sexual assault language, there was talk about the state providing medical, support services, rape kits and that needs to be kept high on the agenda in case something happens so that the students not only know what to do and where to go but that services are actually available. In the K-12 policy bill, it was asked that there be leadership training for diversity to prepare principals at MSU, Mankato. This request was removed from further discussion.

FY2016 Operating Budget (First Reading)

Vice Chancellor King thanked Melissa Fahning, the coalition of students, faculty and staff, executive branch leaders and staff, board members, and the Leadership Council (presidents and their staff), campuses, and system office staff (Deb Bednarz, Susan Anderson, Kathy Hanon, Matt MacInnes), Student Affairs staff, and Chancellor Rosenstone. The recently concluded legislative session was an illustration of what a strong coalition, acting in concert, can accomplish, and she is most grateful to all for the outstanding effort.

Vice Chancellor King provided the top line results of the budget planning process and plans for moving through the decision-making process. The 2015 Higher Education bill included \$101.4 million in new funding for the biennium for the Minnesota State Colleges and Universities, representing 70 percent of the system's request.

The bill includes language directing that college tuition rates be held at FY2014-2015 rates for FY2016 and reduced by one percent in FY2017. It requires university tuition rates in FY2017 to be held at the same rates as in FY2016. It also includes a provision that holds back five percent of FY2017 appropriation until there is evidence that three of five performance goals are met.

The bill does not make a recommendation concerning FY2016 university tuition rates. The chancellor has initiated a consultation process with the Minnesota State University Student Association and the university presidents. A recommendation on university tuition rates will be brought to the June board meeting.

The final bill language also included funding to provide free tuition for recent high school graduates who enroll in certain technical programs. The enacted bill appropriated \$5 million in FY2016 and \$3.5 million in FY 2017 for the pilot program. This funding is not on-going.

The system's request was for \$142 million for the biennium. The bill provides \$100 million for general operations which will all flow to the colleges and universities. On a biennium basis, there is a shortfall in revenue of \$42 million, which moves to the next biennium as a

shortfall of \$90M. There will need to be a discussion about avoiding a gap due to the funding levels and structural problems with the enacted bill.

There was substantial investment in the State Grant program, including an increase in the living and miscellaneous expense (LME) allowance, and an increase in the tuition cap. The increase in the LME benefits our students.

State support has reached an all-time high for MnSCU. In FY2016, state support increases to \$673 million, an increase of \$127 million or 23 percent since FY2013. It also contributed to continued improvement in the relationship between appropriation and tuition. The legislature continued the freeze on college tuition in fiscal year 2016 and fiscal year 2017. Tuition will remain frozen at the rates in place during the FY2012-2013 academic year. In fiscal year 2017, the legislature directed college tuition rates to be reduced by one percent.

Trustee Hoffman asked what percentage is out of our hands when it comes to the upcoming labor negotiations and what is the percentage of compensation in the total budget. Vice Chancellor King responded that based upon FY2015 head count FYE, 3-4 percent of employees are in the administrator's plan, which leaves 97 percent of MnSCU employees in a bargaining unit. Of the 97 percent, approximately one-third are in classified units negotiated by MMB and the balance or 60 percent are faculty covered by contracts negotiated by Vice Chancellor Carlson and the board. Total compensation costs represent 70 percent of the budget.

Vice Chancellor King reported on the student consultation process. Overall, students are satisfied with the consultation process and with their presidents and cabinets. Board policy requires the campus student associations to submit a letter to the board; all student consultation letters will be published next month on the system's website. It is important that there be a strong relationship between the student government and campuses. The meeting material includes a summary of the college student consultation process. University letters are being held until the consultation process is completed. The college letters show widespread satisfaction with the process.

Vice Chancellor King asked the Chair if President Hanson could speak on the university consultation letters. President Hanson stated the consultation process at his two institutions is something that's valued. The relationship with the students is close and the communication level is good. There will be discussion with university presidents about FY2016.

Chair Vekich acknowledged the chancellor prior to questions. Chancellor Rosenstone thanked the Chair and President Hanson and stated that, as promised, if there are to be a conversations about a tuition increase at the universities for FY2016, those conversations will begin first with the students and faculty. Chancellor Rosenstone had reached out to President Kari Cooper of MSUSA, Elsbeth Howe, President Grabowska of the IFO, Adam Klepetar of MSUAASF, June Clark of AFSCME, and Jerry Jeffries of MAPE to begin the conversation at the state level and talk about the process in place at each of the MnSCU university campuses. The chancellor and Vice Chancellor King will meet on the phone this afternoon with all the university presidents and CFOs to talk about the complicated process that will be in place. As President Hanson suggested presidents are being asked to work in collaboration with their students and faculty and other bargaining units to come up with the best recommendation to bring to the board at the next meeting. The pledge that was made was to begin by talking and getting opinions has

been honored. Chancellor Rosenstone also reached out to President Schoonmaker at MSCSA and invited them to give their consultation. The presidents have been asked to try and move as quickly as possible over the next couple of weeks to ensure there is time to consider the recommendation at the June Board meeting.

Trustee Krinkie asked for clarification on the performance goal concerning the reallocation of \$22 million and what the legislature's expectation is. Vice Chancellor King responded that as part of the annual budget process, it has been the practice over the last ten years to ask the colleges and universities to indicate the decisions they are making to reallocate resources to and from different activities.

Trustee Vizenor directed a question to President Hanson. On student consultation there is a law stating where ten or more Native American students are attending an institution, there is a requirement to have an advisory council reporting directly to the president. She inquired how this requirement works to address the disparity in the system as it relates to retention, attrition, achievement and completion rates of Native American students. She went on to express an interest in a report on the student consultation policy that's required by law.

President Hanson responded that at his institutions, there is a council that does respond to the issue relative to the broad issues. The retention rate is relatively low for Native Americans. There have been strategies developed and shared with funding agencies and there will be a pilot project directed at dealing with some of these issues. The challenge is on the front burner. Chair Vekich suggested to Chair Renier that a full report comes through the academic committee.

Trustee Sundin asked Vice Chancellor King about the basic allocation and the discussions on Charting the Future and new ways of distributing the basic allocation. Vice Chancellor King responded the System Incentives and Rewards Implementation Team recommendations will be delivered to the steering committee by the end of June. The committee will work towards priority settings through all the initiatives. This should launch in the summer or fall. It is a year's worth of work and a year's worth of Board discussion and should be in place by FY2018.

Chancellor Rosenstone added that in looking at Vice Chancellor King's work plan, there will be discussion with the Board in the fall about principles that might underlie retooling of the model and provide some of the details by fall next year.

Trustee Benson asked for clarification on the tuition freeze the first year and reductions the second year. Vice Chancellor King responded that the state resources provided enough to cover the cost of the college freeze in the first year and the one percent reduction in the second year. It did not provide enough to cover the cost of the college or university freeze in fiscal year 2017.

Chancellor Rosenstone addressed the Chair, board and members to thank Vice Chancellor King for the extraordinary work of her and the team during this session. Vice Chancellor King was an instrumental part of the team that represented MnSCU at the legislature. It was acknowledged that the confidence in the staff and members is well earned and impressive.

Minnesota State College Student Association Consideration of Fee Increase (First Reading)

Kayley Schoonmaker of the Minnesota State College Student Association proposed an adjustment to MSCSA fee. The fee is currently set at 31 cents per credit. The proposal is to increase it to 35 cents per credit. This would be an increase of \$1.20 annually for a full time student. Ms. Schoonmaker expressed that college affordability is the top priority and everything has been done to handle internal operations effectively and efficiently. This proposal follows five straight years of budget reductions which has put a strain on operations. Reductions have been made to areas of operations which includes campus outreach and conference programming. The revenue and related budget reductions have been due to a significant drop in enrollment on the campuses. Over the past five years the budget has been reduced by \$127,000 (a 15 percent reduction). The top priority within this budget process is ensuring that students receive the best possible services and advocacy from MSCSA.

Chair Vekich opened the floor for questions and comments. Trustee Otterson asked how the 35 cents was decided and if MSCSA is operating properly with the 15 percent reduction. Ms. Shoonmaker explained that several different options were explored and the association was just asking for what was needed to continue operations, with the full consultation of the association's fiscal committee.

Matt Rubel, Treasurer, Minnesota State College Student Association, commented that there have been some financial challenges and the association has not been fully staffed over the past few years, and has not invested heavily in technology, training and speakers for the students. Publications and marketing has been decreased over the past few years. Campus outreach has also gone down.

Chair Vekich recommended that the committee provide more information at the June board meeting relative to the budget, a strategic plan for the next couple of years, some guidance on when the board might expect another increase, and a conversion of the alternative fee proposals.

FY2016-FY2020 Capital Budget Proposal (First Reading)

Vice Chancellor King referenced the material that was mailed out prior to the meeting and that no decision needed to be made since this is a first reading and the recommendation will be presented in June. Mr. Yolitz presented information on the Capital Budget. The Board is asked to consider approving a \$286.8 million capital bonding program request for the 2016 legislative session. The recommendation is based on capital budget guidelines established by the board in March of 2014.

Space utilization was a major force in shaping this recommendation. Mr Yolitz highlighted examples in projects at Bemidji State University, and Rochester Community and Technical College

The recommended FY2016-FY2020 Capital Program includes \$110 million for asset preservation needs through the Higher Education Asset Preservation and Replacement or HEAPR program and \$176.8 million for major capital projects. The program would be funded through \$227.9 million in state issued general obligation bonds and \$58.9 million in system funding.

For the 2016 program, Board Guidelines were approved in March of 2014. Given those Guidelines, colleges and universities reviewed their facilities plans and created or updated predesigns for their 2016 candidate capital investment projects. This year, 36 projects totaling \$276 million were presented for consideration. Between now and next winter, we expect the legislative capital investment committees as well as representatives from the Executive Branch to visit our campuses as part their fall state-wide Bonding Tours.

Students periodically receive and review information reports and are involved and many key points along this process. They participate in the development of individual campus Comprehensive Facilities Plans and in the project Predesign development and refinement processes. Students are major participants during the Bonding Tours when the legislature visits the campuses. Once projects are funded, students participate on design teams and have input in the schematic design process where predesign concepts and ideas are brought to reality.

In the scoring process, the new candidate projects as well as those projects the Board had approved in prior processes are assessed against the FY2016 Guidelines. The scoring was done over two days by nearly 100 representatives from our colleges and universities and the system office. These representatives came from finance, facilities, academics, student affairs, and IT. Mr. Yolitz thanked all participants in the scoring process and those who have been in dialogue since the board approved guidelines last year, CFOs, facilities officers at the campuses, Greg Ewig and Michelle Garner.

Trustee Cirillo asked about code violations, how much of the work is involved with code changes? Mr. Yolitz responded that when renovating spaces, they are updated to be ADA compliant. The numbers in the recommendation is not driven by code violations.

Looking ahead, we see a growing need for capital investment...not only in asset preservation through HEAPR, but in terms of campus projects. If the proposed 2016 program was fully funded, there would be construction 'tails' and follow-on work that totals roughly \$80 million. In addition, we've accounted for approximately \$220 million in project needs contemplated by campuses for 2018 and 2020. All told, we can expect approximately \$400 million or more in projects in the 2018/2019 and 2020/2021 biennium. The FY2018 process will begin this fall with the goal of have Board approved guidelines by March of 2016.

As committee members consider the recommendation for FY2016 they were invited to contemplate how to shape future programs. Chair Vekich made a comment about Mr. Yolitz's reference to non-academic assets and alerted the Board that revenue fund dollars are used to maintain and reinvest in those facilities, and went on to state that there is a third means where colleges and universities spend internal resources in order to renovate or maintain their own facility.

Mr. Yolitz was asked to give the board an annual estimate of what is spent beyond what is in the program. Vice Chancellor King mentioned that the motion might need to be amended if there is a special session that implicates our bonding program. The Chair thanked Mr. Yolitz for the presentation and all the system office and campus leaders for their thoughtful and diligent participation in the FY2016 capital program planning process.

Proposed Amendment to Policy 7.7 Gifts and Grants Acceptance (First Reading)

Vice Chancellor King stated that this is the first reading of a policy change that represents an improvement in process. A schedule will be incorporated into the annual financial reporting protocol, providing information about gifts and grants to each of the colleges and universities. The changes aligns this policies with the changes made to policy 5.14.

Trustee Hoffman asked if Policy 5.14 is on the expenditure side. Vice Chancellor King responded that policy 5.14 is the policy change that has this committee approving all contracts and procurements over \$1 million. There is language about what the nature is and the two policies are being matched up.

Adjournment

Chair Vekich adjourned the meeting at 11:00 a.m.

Respectfully submitted,
Maureen Braswell, recorder