

# MINNESOTA STATE COLLEGES AND UNIVERSITIES

## BOARD OF TRUSTEES

### FINANCE AND FACILITIES COMMITTEE

#### MEETING MINUTES

April 22, 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 April 22, 2015, 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 10:00 p.m.

#### **Minutes of March 17, 2015**

The minutes of the March 17, 2015 Finance and Facilities Committee were approved as written.

#### **Finance and Facilities Update**

Vice Chancellor King offered the committee several updates. The Governor's budget recommendations are out with a full recommendation supporting our FY2016-FY2017 budget request. The governor is recommending \$288 million for all higher education. The house has announced a higher education target of \$53.5 million and the senate set a target of \$205 million. The higher education omnibus bills are now out of their respective committees. A side by side comparison of the senate and house higher education bills was provided to members to compare and contrast specific provision in each of the bills.

The goals remains the pursuit of full funding of the board's \$142 million request supporting all system colleges and universities, preserving board discretion on tuition setting and minimizing language in bills that gives the board extraordinary direction.

Vice Chancellor King provided a high level overview of the two bills. The house bill includes \$105 million for MnSCU. It provides resources necessary to freeze college tuition during both fiscal years and includes language setting the expectation that the board does just that. It also provides resources to lower tuition at the colleges by 1% in the second year. The house bill includes no language that would compromise the board's discretion concerning university tuition decisions in FY2016 and has resources that would fund freezing university tuition the second year of the biennium. There is minimal management language in the house bill. The result of all provisions is a gap of about \$19 million compared to the board's budget request.

The senate bill includes \$58.7 million for MnSCU operations in comparison to the \$142 million request. It includes language that freezes undergraduate tuition at both the colleges and universities but does not replace the revenue and has substantial language directing the board on the administration of the system. There is language in the bill that has fiscal consequences but the bill does not provide the resources to cover the consequences (unfunded result). The senate bill would have a biennial gap of \$57 million if the board would implement a 3% tuition increase. The bill contains some performance language that we would be unable to meet and would result in base budget reduction to colleges and universities.

Vice Chancellor King noted there has been no legislative progress on a 2015 bonding bill and that Associate Vice Chancellor Brian Yolitz is ready to address any questions from the house or senate once there is an invitation. The board will be presented the preliminary recommendation for the 2016 capital bonding program in May.

Finally, Vice Chancellor King noted work with the colleges and universities on financial recovery plan continues. Chair Vekich made note that Vice Chancellor King will follow up on the requests that were made in the minutes and during her update.

Chair Vekich mentioned to the committee that the two remaining agenda items include like initiatives bundled together and asked if members had any specific items to separate out and address individually. Trustee Krinkie expressed desire to review the Guaranteed Energy Savings Contract at Riverland Community College from committee agenda item 2, Approval of Contracts Exceeding \$1M.

After further discussion, Chair Vekich decided to first bring committee agenda item 3, Approval of Surplus and Sale and Purchase of Real Estate Improvements, before the committee and take action on the two elements individually, and then bring the three items of committee agenda item 2, before the committee individually.

### **3. Approval of Surplus and Sale and Purchase of Real Estate and Improvements**

Mr. Brian Yolitz, Associate Vice Chancellor for Facilities addressed the committee to consider and declare a facility surplus and allow its sale by Minneapolis Community and Technical College. The facility is located off on Flying Cloud Airport and supported college aviation related programs. The 67,000 square foot facility was built in 1980 and includes 25,000 square feet of hangar space. It came to the MnSCU system from Minneapolis Special School District #1 in 1995 through a quitclaim deed. It was used for air traffic control and aviation mechanic programs. These programs are no longer offered at the site and the building has been vacant for quite some time. There are bids on the property. The bids offer approximately \$900,000 which is the re-appraised value. Interim President Avelino Mills-Novoa, and Roger Broz, Facilities Director of Minneapolis Community and Technical College were acknowledged.

The chair entertained a motion for the Board of Trustees to designate Minneapolis Community and Technical College Aviation Center building as surplus, authorize the chancellor or his designee to enter into a purchase agreement for its sale, and execute any documentation necessary to accomplish the sale. Motion was made, seconded and adopted.

Mr. Yolitz presented the St. Cloud State University property actions and noted that present in the audience were President Earl Potter, Vice President and CFO Tammy McGhee and the mayor of St. Cloud, Dave Kleis. The first action was on a piece of university owned property (Frederick Park), representing approximately 51 acres. It has been owned by the university for quite some time and are no current plans for its use by the university. The city has some opportunities to use the space for a park. The appraised value of the property is \$328,000.

The Chair welcomed Mayor Kleis who discussed the history of Frederick Park. The park is the site of Minnesota's first quarry and has been closed since 1976. The city has had a close and mutual partnership with St. Cloud State University and President Potter. The connection has been with the community and they have partnered in economic development and public safety. This is another step in that direction. The city would add to the park.

Trustee Krinkie asked where the appraised value of \$328,000 came from and if the appraisal was based on a commercial or private development of the property. Brian Yolitz responded that the university and city worked together and had a local appraisal based on the land as is.

Mr. Yolitz then outlined three parcels of property that the university seeks to purchase in the future. These include a parcel used for outdoor storage and a small recreational area, a parcel that includes a city maintenance building that would be used by the university in the future, and a sliver of land that used to be a rail right of way for which there is a question about ownership and title to be figured out. Acquisition of these pieces will allow the university to clean up its southern border.

Vice Chancellor King clarified the motion called for the board to designate the Frederick Park property as surplus and authorization of its sale to the city as well as approving the purchase of the three parcels once the city and university have resolved any questions of ownership of the sliver of land that used to be a rail right of way and agreed to terms and timing for the transactions for each of the properties.

Chair Vekich entertained a motion to adopt the recommendation. The motion was made by Trustee Cowles and seconded by Trustee Otterson. The motion was adopted.

## **2. Approval of Contracts Exceeding \$1 Million**

Mr. Yolitz acknowledged President Tim Wynes and Pat Buhl, Facilities Director and asked the board to accept a motion for a campus funded construction project at Inver Hills Community College. The college seeks approval for a construction project to upgrade the activities center located on the east side of the campus. Areas of upgrade would include the gymnasium and operations area which would allow for EMT, law enforcement and athletic programs. The campus has been budgeting for this project and are ready to execute with funds they have on hand.

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.

Mr. Yolitz acknowledged Rick Straka, CFO and Vice President of Finance and asked the board to accept a motion to extend Minnesota State University, Mankato's current contract with NorthStar Aviation at to support the university's aviation program. The contract allows veterans to more effectively utilize their benefits and extends the service for two more years, through 2019. The estimated value on this extension would be no more than \$7 million.

Chair Vekich entertained a motion to adopt the recommendation. The motion was made by Trustee Krinkie and seconded by Trustee Cowles. The motion was adopted.

Mr. Yolitz recognized Brad Doss, Vice President of Finance and CFO and Judy Enright, Facilities Director at Riverland Community College and asked the board to accept a motion for Riverland Community College to enter into a guaranteed energy savings contract (GESC) similar to the board approved contract for MSU, Mankato. It would provide an opportunity for the college to upgrade physical plant systems at all three campuses. It is being executed with the Department of Commerce and the contract framework that they have established for state agencies to utilize for financing and upgrading mechanical systems, lighting and other elements of buildings that cannot be done through typical funding. The project is expected to cost \$1.9 million. The expected deferred maintenance that would be satisfied through this work in terms of mechanical systems, and water efficiencies is roughly \$800,000. The investment grade audits of the college's systems indicate a potential annual energy savings of \$100,000.

Vice Chancellor King suggested that a background paper be prepared outlining the GESC process and methodology for these recommendations to share with the committee. There will be continued development of GESC recommendations as they take some burden off of asset preservation funding through the HEAPR (Higher Education Asset Preservation and Replacement) program.

Trustee Erlandson commented that she worked a bit on the GESP program and asked how many ESCOs (Energy Service Companies) bid on the project. Mr. Yolitz stating the system is utilizing the Department of Commerce' expertise and contract structure to execute GESCs. That process includes identifying potential contractors/consultants in this business. Those approved contractors are asked to bid on individual projects. Riverland had five bidders and has now narrowed that down to one. It's a competitive process and very well vetted.

Chair Vekich entertained a motion to adopt the recommendation. The motion was made by Trustee Otterson and seconded by Trustee Cirillo. The motion was adopted.

## **Adjournment**

Chair Vekich brought the meeting to a close. The meeting was adjourned at 11:00 a.m.

Respectfully submitted,  
Maureen Braswell, recorder