

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
March 18, 2008**

***Finance/Facilities Policy Committee Members Present:** Clarence Hightower, Chair; Tom Renier, Vice Chair; Trustees, Duane Benson, Michael Boulton, Ruth Grendahl, Dan McElroy, Scott Thiss, and James Van Houten*

***Other Board Members Present:** Cheryl Dickson and Christine Rice*

***Leadership Council Representatives Present:** Vice Chancellor Laura King; President Judith Ramaley, Winona State University*

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on March 18, 2008, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Hightower called the meeting to order at 8:07 am.

1. MINUTES OF DECEMBER 17, 2007 AND JANUARY 15, 2008

The Finance/Facilities Policy Committee meeting minutes of December 17, 2007 and January 15, 2008 were approved as presented.

2. NOTES OF JANUARY 15, 2008 PUBLIC HEARING ON THE FY2009 OPERATING BUDGET INCLUDING TUITION AND FEES

The notes were provided for the committee's information.

3. FINANCE/FACILITIES DIVISION UPDATE (*Information Item*)

Vice Chancellor King drew attention to a memo given to the Trustees at the meeting which compares the System request for capital projects with the Governor's recommendations and the current position of the House and Senate. At this point in the session, the System is in an overall strong position on the capital bonding request.

Due to the state budget shortfall the Governor has released supplemental budget recommendations including a recommended \$26.6 million reduction for Minnesota State Colleges and Universities. Vice Chancellor King testified before the House last week and expressed concern on behalf of the Board that the reduction would substantially disrupt planned progress on strategic initiatives and impair the financial condition of the colleges and universities. The Board hopes to hold its tuition position; raising tuition above the proposed increases is the System's last choice.

The latest quarterly Capital Improvement Program Status Report (CIP) from the Facilities group was mailed to members on January 28, 2008. The report details \$400M of capital improvements in the design or construction stage across the system and is available on the Finance Division's web site also.

Students have been very active this session introducing law changes that are important to them. One proposal which may survive and become law concerns the state's traditional 1/3 student pay– 2/3 state pay public policy position. The students have introduced language that would have the state "affirm" its commitment to this language and progress toward this goal over the next eight years. There would be no financial impact if this language is adopted.

4. WINONA STATE UNIVERSITY LAPTOP PROGRAM (Action)

Staff and students from Winona State University contributed to a presentation on the laptop leasing program at the university. The University requested approval of a five-year lease financing contract to provide continuity for the program. The presentation was lead by Dr. Sally Johnstone the University's Vice President for Academic Affairs.

All full time students pay \$500 per semester for similarly configured laptops loaded with up-to-date software. Students are offered an opportunity to purchase laptop computers at the time of graduation for a minimal cost. Students spoke of the benefits they receive by having specialized software available to them and technical support. They also praised the RFP process used to select lease financing. Trustee Grendahl questioned the suggestion that WSU's graduates are offered employment because of technology skills before other state university graduates.

Kara Brockett, Chair of the Minnesota State University Student Association, expressed concern to the committee regarding the \$500 laptop fee. She noted that in the nearly ten years of implementation the cost of the laptop program has not decreased. In addition, WSU students must pay an additional \$103 technology fee. She commented that students studying in traditional liberal arts fields had expressed concern that they benefited minimally from the expansive software available through the program. Emily Feehan, President of the Winona State University Student Association, was supportive of the laptop leasing program. Chair Hightower asked that Vice Chancellor King bring assurance back to the Committee that the program has been modified to respond to the student and Trustee concerns.

Trustee Benson moved that the Finance, Facilities and Technology Committee recommend to the Board of Trustees approval of the following motion. Trustee Renier seconded the motion which carried with Trustees Grendahl and Boulton dissenting.

RECOMMENDED MOTION:

The Board of Trustees approves execution of a 5-year lease financing contract with Merrimak Capital totaling \$28.4 million to provide lease financing to participants in Winona State University's Laptop Program. The Board delegates execution of the contract to the Chancellor or his designee.

5. MINNESOTA STATE UNIVERSITY, MANKATO CONSTRUCTION CONTRACT (*Action*)

Associate Vice Chancellor Allan Johnson requested approval to renovate portions of Crawford Residence Hall, A and B wings at Minnesota State University, Mankato. Board approval is necessary because the project includes a construction contract over \$2 million. The project will include significant upgrades of interior areas for floors 1 through 4 in both the “A” and “B” wings of the residence hall and will generally include improvements to flooring, walls, ceilings, doors and hardware, plumbing, heating, ventilation, lighting, telecommunications and card access systems.

Design and construction of the project will be funded by the university using \$4.1 million of Revenue Fund operating reserves as well as repair and replacement funds. No state appropriation is being used to pay for the construction. The proposed schedule calls for design in spring 2008; construction will begin in July 2008 with substantial completion expected in August 2009.

Trustee Grendahl moved that the Finance, Facilities and Technology Committee recommend to the Board of Trustees approval of the following motion. Trustee Benson seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Board of Trustees approves the capital project to renovate Crawford Residence Hall, A & B Wings on the campus of Minnesota State University, Mankato as described herein.

6. FY2009 OPERATING BUDGET INCLUDING TUITION AND FEES (*Second Reading*)

Associate Vice Chancellor Judy Borgen reviewed the changes that have been made since the first reading of this item at the January 2008 committee meeting. She noted that the supplemental packet this month contained consultation letters from students at the colleges and universities. Overall, the students are satisfied that the consultation process went well and that their administrators are working hard to include them in the decision-making process. Most of the letters were in support of the administration’s recommended increase, and students expressed appreciation for efforts to keep tuition affordable. The students again expressed a desire for an increased appropriation request that includes tuition relief.

In keeping with the Board’s expressed desire to limit tuition increases in FY2009 to 2 percent at colleges and 3 percent at universities a redirection of base initiative funds from the System would be used to keep revenues neutral for the colleges and universities. The cost would be approximately \$9.4 million, \$6.5 million for colleges and \$2.9 million for universities.

General student fees are also increasing \$36 or 0.6 percent. The fee increases have been negotiated with the campus student associations and are necessary to meet local objectives. Fees are used to support technology, athletics, health services,

student activity/life, and parking. The largest increase in fee rates for FY2009 is occurring within technology, followed by health services and athletics. The total tuition and fee increase for a FYE student would be \$131 or 2.8 percent. Requests have been made to increase two fee maximums; athletic fees from a maximum of \$50 per semester to \$55 per semester and the health service fees from a maximum of \$60 per semester to \$65 per semester. The additional revenue would allow colleges and universities to either maintain current level of services or expand services to better meet demand.

In addition to the general fees, the Board will be asked to approve the Revenue Fund finance plans and proposed fees associated with housing, contract dining, student union, and parking facilities. The Revenue Fund fees support the basic operation of the facilities in the Revenue Fund program.

Vice Chancellor King suggested that in light of the Governor's recommendation for a 4% reduction in appropriation it may be wise to postpone any decisions regarding the FY2009 Operating Budget until the May Board of Trustees meeting when the legislature's course is more defined. She noted there were three alternatives to help solve the budget shortfall; (1) cut costs which could include layoffs for many employees (2) delay in implementing the Board approved initiatives or (3) increase tuition. It is hoped that the legislature will not reduce the System's appropriation to the extent the Governor recommended.

Kara Brockett, Chair of the Minnesota State University Student Association, addressed the committee and expressed concern regarding the differences in specific program tuition. She acknowledged that further discussions on program tuition would be part of the study on the total cost of attendance. Scott Formo, President of the Minnesota State College Student Association, requested new student consultation if tuition expectations change. Efforts will be made for further consultation but the timing of the legislative action may conflict with the availability of students.

Committee members agreed to wait until the May Board of Trustees meeting to act on the operating budget and declined to move the motion.

7. FY2010-2015 CAPITAL BUDGET GUIDELINES (*First Reading*)

Associate Vice Chancellor Allan Johnson began his presentation of the FY2010-2015 Capital Budget Guidelines by noting that the proposed capital budget projects will correspond to the System Strategic Plan in overall tone and in the criteria used for project evaluation. The strategic directions include 1) increasing access and opportunity, 2) promoting and measuring high quality learning programs and services, 3) providing programs and services integral to state and regional economic needs 4) using innovation to meet current and future educational needs efficiently and 5) building the sustainable campus. Chair Hightower suggested that the diversity criterion under "Access and Opportunity" and on the scoring sheet be more definitive.

An increasingly important component of capital budgets in the last five biennia has been the request for major repair and replacement funding under the Higher Education Asset Preservation and Repair (HEAPR) program. The FY2010-2015 HEAPR Guidelines call for maintaining warm, safe and dry campuses; focusing on renewal and backlog; providing a reliable infrastructure; and considering life safety, environmental impacts, energy conservation, operations and maintenance costs, and accessibility.

The overall underfunding of the HEAPR request has been a concern. For the past 10 years; HEAPR funding has consistently fallen short of the requested amount. Despite addition of capital projects to improve HEAPR-related items, the growth in HEAPR requests has continued. The backlog was estimated at \$672 million in 2007. Accordingly, the 2010 capital budget for HEAPR will once again recommend a funding amount of at least \$110 million systemwide. Trustee McElroy, while not advocating without further discussion, suggested that an all HEAPR funding request might result in more funding to reduce the backlog. There will be a study session at the May Board of Trustees meeting to provide members with more information on the facilities' condition of the colleges and universities and an opportunity to discuss Trustee McElroy's suggestion.

Board policy requires all campuses to update their facilities master plans every five years. Colleges and universities are being advised that a thoroughly defined and understandable predesign documents correlates to a higher ranking project. Failure to meet deadlines for predesign submission will eliminate the projects from consideration. Capital project submittals are due from campuses in the fall of 2008. Evaluation teams will score the projects and the capital budget request will be finalized in spring 2009. The request will be submitted to the Governor and the Department of Finance in July 2009.

The FY2010-2015 Capital Budget Guidelines will be presented for the second reading at the May committee meeting.

8. REVENUE FUND BOND SALE (*First Reading*)

Associate Vice Chancellor Allan Johnson reviewed that the Board of Trustees was given authority by the legislature in 1955 to issue revenue bonds through the Revenue Fund to provide funding for construction and renewal of these and similar revenue-producing facilities. Debt obligations of the Revenue Fund, unlike capital appropriations for academic facilities, are not debt obligations of the State of Minnesota and are backed solely by the assets pledged and the revenue generated. Authority for participation in the Revenue Fund is currently restricted by statute to the seven state universities. Recently, the Minnesota State College Student Association (MSCSA) has expressed interest in the colleges joining the Revenue Fund. Discussions are continuing.

Revenue Fund project requests have been submitted to the Office of the Chancellor for inclusion in the next bond sale tentatively scheduled for June 2008. The Board of Trustees is being asked to approve a Revenue Bond sale for no more than \$45,000,000 for projects totaling about \$38,000,000. Presentations are scheduled

for later this spring to Moody's Investors Service and to Standard and Poor's Rating Service on the proposed sale. These organizations have previously given MnSCU Revenue Fund bonds excellent ratings of Aa3 and AA- respectively.

Last fall, prior to beginning planning for this sale, Springsted Inc. evaluated the Fund's debt capacity to determine if the Fund has the capacity to carry \$250 million in total debt. Minnesota Statutes Chapter 136F.98 sets the limit on the amount of debt authority for the Revenue Fund, which is currently \$150 million. Outstanding Revenue Fund debt is \$120 million. This sale proposal will raise the Fund's outstanding debt to about \$170 million, and planning on the horizon will likely increase it further. Accordingly, a request has been submitted to the legislature this session to increase the debt authority to \$250 million. Action is proceeding favorably in the Senate and is pending in the House at the time of this writing.

Winona State University submitted two projects to the Office of the Chancellor for inclusion in the next bond sale tentatively scheduled for June 2008. The first project is for \$29.6M to construct a 400 bed residence hall. The second project submitted is for \$7M to complete expansion of Memorial Hall to house the WSU Integrated Wellness complex. In addition, planning funds for future projects will once again be included. All projects must be financially viable but may be subsidized by other campus programs.

The Board will be asked to approve the bond sale at their May meeting. Vice Chancellor King asked Trustees to contact her if they had any concerns regarding the sale.

9. MINNEAPOLIS STATE COLLEGES AND UNIVERSITIES SYSTEM AND STATE ECONOMIC OUTLOOK FOR FY2010-2011 *(Information)*

Due to time constraints this item will be deferred until the May committee meeting. Vice Chancellor King noted that the State Economist Tom Stinson would address the committee on the economic pressures facing the state and the system at that meeting. Trustee McElroy suggested that the State Demographer Tom Gillaspay be invited also if time allows.

10. ENTERPRISE INFORMATION TECHNOLOGY INVESTMENT PLAN UPDATE *(Information)*

An update on the Enterprise IT Investment Plan progress was given by Vice Chancellor Ken Niemi. A new brochure, *Fast, Secure, Reliable: Building a strong technology network*, was given to Trustees. The brochure offers a broad overview of the technology network and includes sections on why technology investment is needed and what the investment will provide for students, faculty and staff.

Mr. Niemi reported nearly 40 router upgrades have now been completed which provide expanded capabilities and increased bandwidth and speed for the network. He noted that firewall replacement is two thirds completed with full completion expected by the end of FY2008. Work is continuing with campuses and the Office of the Chancellor on the security assessment program.

For the first time in MnSCU history, a disaster recovery site and secondary data center are in place. Vice Chancellor Niemi reported that if a natural disaster or other incident occurred 2 years ago, no options for quick recovery were available. The RdB to Oracle database conversion has been completed for the replicated, reporting database. The bulk of code conversion for production databases has been completed and deployment will be dependent on the outcome of planning efforts underway with the institutions to minimize the business risk of the actual conversion date. This conversion will eliminate significant technical operational and obsolescence risk, increase the ability to integrate additional applications and is a big step toward a more flexible infrastructure environment.

Vice Chancellor Niemi and Gail Olson, General Counsel, reported on a patent lawsuit in East Texas District court concerning Desire2Learn (D2L). The lawsuit maintains that D2L violates Blackboard's patent. The operational and legal issues are highly dynamic and are being actively monitored by the Office of the Chancellor, including the Office of General Counsel. Both are confident the lawsuit would not hamper the e-learning process at MnSCU as D2L is expected to provide a work around or pay royalties.

The meeting adjourned at 11:00 am.

Respectfully submitted,
Nancy Lamden, Recorder