

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
March 16, 2010**

Finance, Facilities and Technology Committee Members Present: Tom Renier, Chair; Clarence Hightower, Vice Chair; Trustees Duane Benson, Christopher Frederick, Ruth Grendahl, Dan McElroy, Scott Thiss, and James Van Houten

Other Board Members Present: Cheryl Dickson, Jacob Englund, Christine Rice, Louise Sundin and Terri Thomas

Leadership Council Representatives Present: Vice Chancellor Laura King, President Robert Musgrove

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on March 16, 2010, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Vice Chair Hightower called the meeting to order at 2:15 pm. Chair Renier recognized 15 campus leaders from Lake Superior College who were in the audience.

1. MINUTES OF JANUARY 19, 2010

Trustee Frederick moved that the minutes of January 19, 2010 be approved as presented. Trustee Thiss seconded the motion which carried with no dissent.

2. FINANCE, FACILITIES AND TECHNOLOGY UPDATE *(Information)*

Vice Chancellor King informed the committee about a proposal in the Minnesota House for a pilot project which would provide for the Board to select 8 colleges/universities (including 5 outstate) and allow them to move the institutions' Board required reserve funds from the state treasury to community financial institutions. Concerns were expressed about FDIC limits (additional insurance may need to be purchased) and return rates (currently the state treasury pays the system interest about 1-1½ percent above local banks). The committee members expressed differing views on the merit of this proposal. It is uncertain if the benefit to economic development in local communities outweighs the concern about the administrative issues. Trustee Benson expressed opposition to the institutions receiving less return on their funds. Trustee Sundin expressed support of the proposal noting that it is a "feel good" issue for the citizens of Minnesota.

Vice Chancellor King advised the committee that she has traveled throughout the state, along with Associate Vice Chancellor Tim Stoddard and his staff, and met with 24 college leadership teams over the past two months to review the colleges' financial performance, measurements, benchmarks, indicators, enrollment projections and program planning. These overviews have come to be known as the "Trends and Highlights" meetings. The meetings are tremendously valuable to staff and to the colleges.

Vice Chancellor King hosted a spring flooding webinar earlier today with four colleges and universities that have moderate/severe risk of flooding: Minnesota West Community and Technical College (Granite Falls), Southwest Minnesota State University (Marshall), Winona State University and Minnesota State University Moorhead. Efforts are underway to increase coordination this year in the area of loaned staff and equipment and volunteer efforts.

3. ST. CLOUD STATE UNIVERSITY NATIONAL HOCKEY CENTER DEVELOPMENT PLAN (*Action*)

Associate Vice Chancellor Allan Johnson introduced the approval request to construct an addition to and renovation of the National Hockey and Events Center on the campus of St. Cloud State University (SCSU) in cooperation with the SCSU Foundation. Mr. Johnson noted that this project is not unique within the system. In the past 10 years about 20 projects have been completed with outside resources including donated funds.

St. Cloud State University President Earl Potter commented that this project has broad community appeal. In the 2008 bonding bill, \$6.5 million of state General Obligation bond funds were authorized by the legislature to improve the facility with the expectation that additional funds for the project would be obtained through sponsorships, naming rights and donations through a capital campaign. The University's capital campaign is to be publically launched this summer. These sources will provide the additional funds needed for a total project cost of approximately \$29.2 million. The funds are expected to include sponsorships, cash donations and pledges to fund \$7 million prior to the start of phase 1 construction in addition to the current state funding of \$6.5 million. An additional amount from sponsorships and donations of \$15.7 million will be transferred to the University from the Foundation prior to initiation of phase 2 construction.

Steve Ludwig, SCSU's Vice President for Administrative Affairs, used renderings of the proposed facility to show the trustees the proposed design and construction phases. The construction plan calls for two phases with continued use of the hockey center between phases. The main rink improvements will allow the facility to host a wide array of events beyond hockey through improved sounds systems, arrangements for audience seating on the floor and provision for rigging shows. The second rink in the facility will be modified to meet NHL standards, provided with additional spectator seating and improved access.

The University will continue to operate the expanded facility. No university funds will be used for the construction. The Foundation has assessed the feasibility of the philanthropic goals. A premier national firm, Front Row Marketing, has been engaged to assist the Foundation with the sale of sponsorships and naming rights through the Foundation. There has also been consultation with operational consultants to assure appropriate design and reasonable assumptions on operation of the facility.

President Potter responded to several concerns expressed by trustees. He noted that fiscal projections on fundraising and operating costs were conservative. Increased usage is projected to provide \$700,000 of revenue each year from concessions which could provide for more scholarships. He also noted that no alcohol would be served in

this facility. Trustee Frederick commented that fundraising efforts could be directed to other needs of the University rather than hockey. President Potter responded that projects of this type tend to increase interest and private support for universities across a broad front. No St. Cloud State University funds will be used for the construction. Trustee Dickson noted that there is no debt service on the \$6.5M state funding because it was part of economic development legislation. Chair Renier remarked that the facility would be a great asset for the St. Cloud area.

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

RECOMMENDED MOTION:

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves the development plan for the St. Cloud State University National Hockey Center, specifically the Phase 1 and Phase 2 construction contracts valued at approximately \$11 million and \$12.1 million respectively, and the funding agreement between the University and the St. Cloud State University Foundation, valued at approximately \$22.6 million. The chancellor is authorized to negotiate the agreement with the Foundation contingent upon approval of the documents by the Office of the Attorney General.

4. FY2010 CAPITAL PROJECT UPDATE (*Information*)

Associate Vice Chancellor Allan Johnson reported on the Governor's veto actions concerning the 2010 bonding bill. The legislature had approved a bonding bill total for MnSCU of \$239.9M (\$174M state financing). The Governor vetoed many projects resulting in a final bill of \$106M of which \$88M is financed by the state. This is a record low since the MnSCU system was created.

The good news is HEAPR funding of \$52M. In addition, major capital projects number 2 through 6 on the MnSCU list were approved. These projects had been vetoed in 2008. The results of the bill were disappointing but Trustee McElroy commented that the vetoes were not a reflection of MnSCU but of financial issues in Minnesota and the nation. He noted that general obligation bonds for California were downgraded 3 times recently and Arizona and Illinois may also be downgraded. Vice Chancellor King said it is increasingly clear that the state can't afford the system it spent 100 years building. Ms. King cautioned presidents to respect the board process and get ahead of political interest in projects outside of the MnSCU list. There has been limited activity in this respect, but every couple of years there are 1 or 2 projects that emerge from the legislature outside the system's capital planning process.

Trustee Hightower questioned whether future requests should be reduced in size. Mr. Johnson will address that issue in the first reading of the Capital Budget Guidelines at the April committee meeting.

Mr. Johnson also noted that sustainability and energy efficiency are being emphasized in capital projects. He is convinced the system's standards are high and the HEAPR and capital projects promote energy efficiency. An energy benchmarking program has been undertaken to get a good handle on measuring energy consumption at campuses. Johnson Controls, Xcel Energy and other companies are offering programs to help campuses to conserve energy. The state's Departments of Commerce and Administration have also established the Public Buildings Enhanced Energy Efficiency Program (PBEEEP) program which provides more attractive financing with a shorter commitment. The PBEEEP program is more transparent and leverages other state resources.

5. PROPOSED AMENDMENTS TO BOARD POLICIES (*First Reading*)

Vice Chancellor King noted that Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure be reviewed at least once every five years.

Policy 5.13 Information Technology Administration

The proposed amendment to Policy 5.13 calls for each college and university to ensure that the information technology planning components of its strategic plan are aligned with system planning goals.

Policy 6.4 Facilities Planning

The proposed amendment to Policy 6.4 notes that the president of each college and university is responsible for developing and maintaining a current facilities assessment as well as plans for modernization, renewal and improved sustainability and a record of space utilization as a base for multi-year capital program planning requests. The second reading for the proposed amendments is scheduled for the April meeting of the committee.

6. PROPOSED AMENDMENTS TO BOARD POLICIES (*Second Reading*)

Vice Chancellor King noted that Board Policy 1A.1, Part 6, Subpart H, has established that each board policy and system procedure be reviewed at least once every five years.

Policy 5.14 Procurement and Contracts

The proposed amendment to Policy 5.14 will provide for annual reports on contracts with values greater than \$100,000 on the web site. The proposal increases board pre-approval to \$3,000,000 on contracts and amendments. Committee members had earlier expressed support for an increase to the \$3,000,000 limit at this time.

The committee felt there was a gap in the language regarding limits for pre-approval of intra-agency agreements, joint powers agreements that do not create a joint powers board, Minnesota Department of Administration master contracts, Office of Enterprise Technology master contracts or Minnesota State Colleges and Universities master contracts from pre-approval. Vice Chancellor King agreed and proposed that the committee approve the proposed amendment as a step to completing action on one of the items cited in the OLA MnSCU Office report. She would then bring a new amendment to the April committee meeting with clarifying language for those agreements.

Policy 5.22 Acceptable Use of Computers and Information Technology Resources

The proposed amendment to this policy adds “mobile computing devices and multimedia materials” to the list of technical information resources;

Policy 7.4 Financial Reporting

The proposed changes to this policy note the recent name change of the Department of Finance to Minnesota Management and Budget. The amendment also clarifies that financial statements for individual institutions are designated by Board action. Financial statement will be presented to the Board of Trustees for review and authorization to release.

Policy 7.7 Gifts and Grants Acceptance

The proposed amendment to Policy 7.7 provides that the Board of Trustees will be periodically updated on the nature and the amount of all gifts and grants with a value in excess of \$50,000 accepted by the colleges, the universities, and the systems. Colleges and universities are required to maintain a list of all gifts and grants for submission each fiscal year to the Office of the Chancellor to be incorporated into a comprehensive report to the Board of Trustees.

Trustee Sundin questioned whether the reference to the “Office of the Chancellor” might more appropriately be the “system office”. Particularly since the OLA report was issued it appears that impressions and language are important. Gail Olson and Linda Kohl are working on a style guide which could offer more clarity to this language.

Trustee Benson moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee McElroy seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Finance, Facilities and Technology Policy Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves amending Policy 5.14 Procurement and Contracts; Policy 5.22 Acceptable Use of Computers and Information Technology Resources; Policy 7.4 Financial Reporting; and Policy 7.7 Gifts and Grants Acceptance as shown in Attachments A-D.

7. MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM AND STATE ECONOMIC OUTLOOK FOR FY 2011-213 (*Information*)

Associate Vice Chancellor Judy Borgen and System Budget Director Karen Kedrowski presented information on the system and state economic outlook for fiscal years 2011-2013. The state’s February forecast has shown some modest improvement but income tax receipts are still down and it is estimated the state will have a \$5.8B deficit for the next biennium.

It is anticipated that the system will have an additional reduction of \$10.5M this fiscal year (total reduction will be \$60.5 which includes the Governor’s unallotment of

\$50M). This will take the system's appropriation down to the FY2006 funding level. Budget planning assumptions used when planning for the FY2011 operating budget assume tuition rate increases not to exceed 5 percent; modest compensation inflationary cost increases (insurance increases and steps for classified employees), continued use of the federal stimulus funds for one-time expenses; maintenance of fund balances and reserve levels when appropriate and targeting the Governor's planning assumption of \$594.4M. The FY2011 operating budget will have its first reading at the April Board meeting with approval anticipated at the May meeting. Chair Renier urged committee members to look carefully at the legislative report they received today which highlights what the colleges and universities are doing to cope with budget reductions.

Further modeling for FY2012-2013 budgets anticipates further reductions in state appropriation, perhaps as much of \$100M, inflationary cost increases, no federal stimulus funds, and no cap on tuition rate increases but an expectation of reasonableness. Trustee Hightower questioned whether enrollment increases might be an additional source of revenue. Vice Chancellor King indicated that was absolutely the case, but the colleges and universities may have difficulty projecting enrollment increases because recent experience has been so strong. Increased enrollment also increases the institution's delivery costs.

Trustee Van Houten wondered whether excess cash should stay at colleges/universities or be distributed to those who have more need. Vice Chancellor King suggested focusing the committee's attention on the distribution of the state allocations (green sheet) and adding flexibility to that process. The most direct way to target the distribution of state allocation would be through "disparity aid" or program development funds in distressed regions. This would be the most effective way to target state appropriation.

President Musgrove commented on the dynamic and tension within the system right now between the "have" and "have not" institutions. He suggested that the future workforce needs of the state and current capacity of the institutions should be included in future conversations.

The Chancellor commented that other systems collect all tuition and re-distribute between the institutions unlike the allocation model at the Minnesota State Colleges and Universities system. Other systems are now capping enrollment. He noted he is not recommending this.

Minnesota has always had an open admissions policy. Vice Chancellor King acknowledged that the state has failed in its public compact to pay for access. She promised more conversation will be held in the future. She acknowledges the tension between access and the financial condition of the institutions.

8. COLLEGE AND UNIVERSITY FINANCIAL HEALTH INDICATOR/ MEASUREMENT PROJECT (*Information*)

Vice Chancellor King noted that she was pleased with the progress represented in this report. Associate Vice Chancellors Judy Borgen and Tim Stoddard have led the Finance Division in an exception reporting process since 2004. The report draws

attention to areas of operational concern in the finance and business office arena. The Finance Division has also implemented an annual overall financial performance review process. The current trends and highlights process includes the Composite Financial Index (CFI) and other financial performance measures. These reports improve predictability and provide monitoring and both short-term and long-term oversight for the colleges and universities. They are helping to make the financial condition of each institution more transparent and complete. Staff is working to incorporate budget and accrual measurements into the financial monitoring effort.

Starting with FY 2006 financial reporting, the Higher Learning Commission (HLC) implemented monitoring centered on the CFI. This is the HLC's first step in determining if a college's ability to carry out its educational mission is at risk, which could lead to a review of accreditation status.

9. FOLLOW-UP TO OLA EVALUATION OF THE SYSTEM OFFICE

(Information)

Vice Chancellor King reported on several administrative, finance and information technology recommendations from the OLA evaluation of the system office. She commented that opportunities for administrative efficiencies through multi-campus or centralized delivery of services are complicated by the considerable staff and IT resources which would be required to make substantial progress by January 2011. Trustee Thiss emphasized the sense of urgency to show progress on these issues. The magnitude of the project will be determined and a plan developed.

Chair Renier commented that the report was complimentary to the finance and facilities units in the system office. Action is pending to re-establish the Information Technology Committee. The committee will deal with issues such as selection of projects, project management and tracking, user testing and training and contract management in the IT arena.

Clarification of presidential authority for purchase transactions and recommended changes in procedures should be solved by the end of the month. The annual budget materials will be submitted to the committee in April and changes to the regular allocation process will be noted. Plans are underway for improved oversight of professional technical contracts. Two working groups including campus leadership will be formed to review changed to the capital project management process. Vice Chancellor King will report to the committee at their April meeting on the status of progress.

The meeting adjourned at 4:55 pm.

Respectfully submitted,
Nancy Lamden, Recorder