

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
June 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, David Paskach and Louise Sundin

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 June 16, 2010, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Vice Chair Hightower called the meeting to order at 8:15 am.

1. MINUTES OF MAY 19, 2010

Trustee Frederick moved to accept the minutes from May 19, 2010, as presented. Trustee Benson seconded the motion which passed with no dissent.

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

Vice Chancellor King noted that Minnesota Management and Budget reported that May receipts were ahead of projections and June receipts look better also. MMB paid back \$50 million of their outstanding loan this week. It appears now that MMB can repay the full \$250 million loan before the end of the month. Currently a balance in the state's general fund of close to \$500 million is projected for the end of the fiscal year with all loans repaid. Vice Chancellor commented that this is good news although the balance could change.

Vice Chancellor King commented that progress is continuing on the OLA recommendations.

Vice Chancellor King noted that this meeting is the final meeting with President Robert Musgrove representing the Finance and Administration Committee of the Leadership Council. President Richard Davenport is the new Leadership Committee co-chair for next fiscal year.

Vice Chancellor King announced that Brian Yolitz has been chosen as the new associate vice chancellor for facilities. A national search firm led the effort. The search committee was chaired by Bill Maki of Bemidji State University and included Office of the Chancellor and campus staff as well as an outside architect. Over 80 qualified candidates were reviewed, eight were interviewed by the committee and four finalists were interviewed by Vice Chancellor King. The position drew very strong attention across the nation.

Mr. Yolitz was raised in Wisconsin and graduated from UW- Platteville with a BS in civil engineering. He has a MS in Engineering Management from the University of Alaska and a MS in National Resources Strategy from the National Defense University. He is retiring after 27 years as a Colonel in the US Air Force. His most recent responsibility was Director of Installations for 14 bases in Southeast Asia including Iraq and Afghanistan. Brian will be starting in mid August after re-locating his family from Sumter, South Carolina.

This meeting marks the final presentation by Associate Vice Chancellor Allan Johnson. During his 12 year tenure Minnesota State Colleges and Universities received over \$1B of construction funding from the legislature, purchased \$13M of real property, and executed over 55 leases at 26 campuses. Vice Chancellor King and Chair Renier commended Mr. Johnson for carrying the message of stewardship out to the campuses.

Five of the six major capital projects funded by the 2010 legislative have been bid. The range of these bids varied; two projects came in with significant savings at 65% of budget while the other three came within the 95 - 100% of budget. The one remaining capital project will be bid in July 2010. Bid savings such as these remain with the project until completion, at which time funds remaining can be used for HEAPR projects at the same campus. Savings are usually used in the project immediately to add items back in that were deleted during the design process due to budget concerns at the time.

HEAPR projects from 2010 have generally been coming in lower than estimated. There are numerous reasons that play into this: a large number of small contractors that can bid on work compared to the available work and the time lag from when initial budgets were prepared and funded to the time when designs were actually complete. HEAPR savings are always reallocated to other unfunded HEAPR projects, most often at the same campus. This is a great way to stretch out the HEAPR appropriation. HEAPR results to date: 32 projects bid, estimated overall value of contracts = \$19.3 million; projects bids range from 25% - 120% of budget; overall project average of bids is approximately 70% of budget.

3. **NORTH HENNEPIN COMMUNITY COLLEGE PROPERTY SURPLUS**

(Action)

Associate Vice Chancellor Johnson asked the Board to declare land at the North Hennepin Community College surplus and authorize the sale of the land to Hennepin County for use in constructing a county library and to the city of Brooklyn Park for a related ring road.

This spring, the county initiated new discussions with the college about a direct sale of land to the county for construction of a county library. The proposal is for the county to purchase approximately 6.58 acres (287,000 sq. ft.) on which to construct a 30,000 – 40,000 sq. ft. library building. The estimated market value of the land is \$2.70 per square foot and would generate approximately \$775,000 in sale proceeds to the college for use in capital projects.

The site would include approximately 200-250 parking stalls (depending on the total building size), and a 13,750 sq. ft. bio-filtration pond. The library would be sited on the westerly side of the college's 23.2 acre vacant parcel, itself located on the northeast corner of 85th Avenue North and West Broadway. The college had assembled this land for future college development, which involved a land exchange with a developer in 2002. President Ann Wynia confirmed that there was no specific plan for the property. She also noted the college is excited to have the library as their neighbor.

Mr. Greg Ewig, Director of Real Estate, noted that this proposal also contemplates construction of a new public ring road by the city of Brooklyn Park to serve the library site. The college is proposing to dedicate an additional 2.5 acres to the city for purposes of constructing the road. Costs to construct the road are estimated at approximately \$540,000, and discussions are ongoing regarding how costs are allocated among the parties. It is expected that the value of the land being conveyed for the road dedication will offset the road construction cost. The roadway will become a city street and the responsibility of the city after it is constructed.

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

RECOMMENDED MOTION:

The Board of Trustees designates the land at the North Hennepin Community College needed for a county library and ring road as surplus and authorizes the chancellor or his designee to execute the documents necessary to finalize the transaction.

4. WELLS FARGO PLACE LEASE (Action)

Associate Vice Chancellor Johnson reviewed the restructuring of the Wells Fargo Place lease. The Office of the Chancellor hired a real estate consulting firm to initiate discussions with the building owners in early 2009 regarding their willingness to restructure the current lease and achieve cost savings. Motivations for restructuring the lease now would settle the lease issue in advance of a new chancellor's arrival and would eliminate the time and cost of a new space search, negotiations, and the disruption of employee relocation. Operating budget reductions and a more favorable commercial real estate market also made the restructuring more desirable. The Chair and Vice Chair of the Finance, Facilities and Technology committee have been consulted throughout the negotiations.

The Office of the Chancellor has had a presence at Wells Fargo Place since 1996, and currently occupies 103,126 sq. ft. of office and meeting space, including portions of the atrium on the 2nd and 3rd floors, and tower space on floors 3 through 7. The current lease provides space for the Board of Trustees, approximately 304 employees and related support space. Current capacity at Wells Fargo Place is a total of 339 cubicles and offices. There are also approximately 100 Office of the Chancellor personnel, mostly ITS and a few internal auditor staff that are located in space outside of Wells Fargo Place. The locations include a mix of campus owned and commercially leased space

The last major lease event involved the relocation of the Midway/Energy Park staff to Wells Fargo Place in 2005, which included revising the lease at Wells Fargo Place by approximately 51,000 sq. ft. At the time of the 2005 relocation to Wells Fargo Place, a new lease was executed, and a new ten (10) year term was established from August 1, 2005 to July 31, 2015. Execution of the proposed lease will result in annual operating budget savings of approximately \$500,000.

In response to a question from Trustee McElroy, Mr. Ewig noted that the proposed lease includes the standard state exit provisions. Trustee McElroy noted that advisors engaged by DEED had reported that this is a good time to renegotiate leases. Several trustees expressed their approval of the creative thinking, timeliness and the utilization of the Minneapolis Community and Technical College space.

Trustee Van Houten 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 Board of Trustees authorizes the chancellor or his designee to execute a lease amendment with Unilev Management Corporation or its successor consistent with the terms summarized in **Attachment B** and outlined in the Letter of Intent between the two parties dated May 17, 2010.

5. PROPOSED AMENDMENT TO BOARD POLICY 6.5 CAPITAL PROGRAM PLANNING *(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.

The proposed change to Policy 6.5 makes it consistent with existing Board Policy 1A.1 Part 7. Colleges and universities shall not seek funding for any capital project that has not been approved by the Board as provided in Part 1 of this policy or Board Policy 1A.1 Part 7.

Chair Renier inquired if institutions are allowed to seek private funding without Board approval. Vice Chancellor King responded that staff will clarify this issue at the second reading of the proposed amendment.

6. SUSTAINABILITY UPDATE *(Information)*

Associate Vice Chancellor Allan Johnson began the report on sustainability by reviewing System Strategic Goal 4.2 which calls for institutions to advance environmental sustainability and efficiency. He noted that board policies are being amended to reflect this goal and the Guidelines for campus Master Plans and the MnSCU Design and Construction Standards have been updated to ensure compliance with both LEED and state standards for B3. Two LEED projects (Winona State University Wellness Center and the Lake Superior Academic and Student Services) are

near completion and 23% of campuses have projects that have received, or are in the process of receiving, LEED or B3 certification.

Mr. Johnson noted that “Energy Benchmarking” is critical because we cannot improve what we do not measure. In May 2009, campuses began in earnest to update energy consumption and facility information in the B3 Energy Benchmarking system with assistance from consultants. A natural outcome of the benchmarking will be establishment and measurement of energy reduction goals.

Mr. Johnson reported that The Center for Sustainable Building Research (CSBR), a research entity of the University of Minnesota, is assisting in developing a report of campus accomplishments towards sustainability. This report is based on campus information entered into a web-based template beginning in April 2010. Questions relating to building type, energy use, water, food, waste, transportation, landscaping, campus culture, purchasing and carbon emissions were asked and answered. Results across the system are very diverse. Each campus has developed their unique response to the issue of sustainability considering their regional location, academic programs and community engagement. It is expected that this document will serve not only as a system-wide report to the Board on campus accomplishments but also as a means for each college and university to learn from the work of others. The report should be distributed by late June and is expected to be repeated annually.

In addition to the above Action Plan items, Office of the Chancellor staff have consistently worked with campuses to advance energy efficiency through sponsorship and/or organizing seminars, development of commissioning and re-commissioning studies for buildings, and providing single point-of-contact presence and assistance with specific energy savings contracts.

Work will continue in the area of sustainability at colleges and universities through campus-focused initiatives. Limited resources at the Office of the Chancellor will be applied towards a continued focus on policies and procedures, maintenance of system planning, design and construction standards, and professional assistance to system campuses. It is important to also stay abreast of and respond to constant changes in state and federal laws and requirements for the full spectrum of activities under the sustainability umbrella. More work is needed on developing and enhancing the energy benchmarking system for improved accuracy and consideration of setting energy reduction goals.

7. INFORMATION TECHNOLOGY SERVICES DIVISION ANNUAL PERFORMANCE REPORT (*Information*)

Vice Chancellor Huish presented the Information Technology Services Division Annual Performance report to the Board. Significant progress in reducing reliance on outside consultants has been made. Total expenditures for outside consultants have been reduced from \$12 million in 2008 to \$4.2 million in 2010. A correlation can be seen in increased expenditures for full-time employees. In moving away from consultants, Information Technology Services (ITS) will develop a pool of staff that has the knowledge and skill

base to work on projects; making ITS a more consistently productive part of the system in the future.

Trustee Von Houten questioned whether flexibility has been lost in the shift from consultants to staff. Carolyn Parnell responded that the skill set needed to fill these roles are long term and best filled by a staff person. Eighteen positions have been filled to replace twenty consultants. The staff brings in upgraded skills at half to one-third the cost of the consultant. A contractor will be used when there is a requirement for a rapid response, the outcome and length of service are defined, and the contractor will be evaluated at the end of the term. Trustee Hightower stated that in the past the use of contractors was needed to fill roles as ITS moved through the hiring process. Some positions were difficult to fill. It is appropriate to see the reduction of contractors as these positions have been filled.

ITS developed a hybrid service delivery model, selecting services that are best done at the enterprise level rather than by each of the institutions. Examples are student systems, learning management systems and the network, in addition to the security and compliance efforts. These efforts to integrate services appropriately make the system more efficient and effective. There are no plans to redistribute costs or personnel to the colleges or universities. Trustee Hightower requested clarification on the redistribution of costs. Vice Chancellor King responded that there was a language in the 2010 session law that cut the Office of the Chancellor budget by \$2 million and specifically prohibited redistribution of resulting cuts to the campuses. Chancellor McCormick expressed his support and appreciation for the work of the new ITS leadership. He suggested asking for a legislative hearing to report to legislators the changes that have been made since they approved funding for IT at Minnesota State Colleges and Universities.

Vice Chancellor Huish stated that there are significant opportunities to reduce costs in regionalization of shared services. Discussion are taking place throughout the ITS governance structure to explore opportunities to deliver services in different ways. An example may be email, rather than each campus providing their own email services a regional approach may be used to reduce costs and efforts. President Musgrove stated that discussions about shared services are taking place all over the system. The more alignment of business practices through Students First the greater the opportunity for shared services or functionality and reduce costs or labor. Pine Technical College's use of email services from Mankato State Universities by the middle of next year is an example of shared services.

Vice Chancellor Huish stated that ITS' future plans and priorities include "keeping the lights on". ITS services often run in the background and are only noticed when disrupted. These operational activities will continue to be a focus in addition to the six prioritized Student First projects. In addition to Students First, ITS will continue monitoring and improving security to ensure appropriate access to systems data and prioritize the full implementation of second data center, which will be key in continuing services in the event of a failure in the first date center.

Vice Chancellor Huish introduced the new Director of Student First Jonathan Eichten. Jonathan Eichten has experience as a campus Financial Aid Director and Dean of Students, and has impressive academic credentials.

8. FINANCE AND FACILITIES DIVISION ANNUAL PERFORMANCE REPORT
(Information)

Vice Chancellor King commented that the Finance Division functions are largely oversight and advisory to the colleges and universities. The budget unit provides financial planning parameters and tuition guidance for institutional budget development. The facilities staff makes recommendations for facilities master plan developments and provides technical oversight for capital projects and assists the campuses with their efforts towards building and maintaining their facilities. The division also provides real estate management, revenue fund oversight, risk management, emergency planning, and safety and environmental health assistance. Tax and financial services are provided including year-end tax forms and reporting, unrelated business income tax, student payroll tax, and sales tax.

The Student Loan group manages collection and repayment of \$34.1 million in Federal Perkins' loans for over 13,000 of the Systems' highest need students at 20 colleges and universities. The Student Loan group provides a centralized student loan collection unit for all Minnesota State Colleges and Universities that participate in the Federal Perkins Loan program.

The Student Loan group also administers the online e-payment process (web payments) where student tuition and fee payments can be made via the web using a credit card or e-check. Processing is through a single vendor processing contract. FY2009 volume was \$100 million representing 175,658 individual payment transactions.

Vice Chancellor King noted that the other administrative cost line includes the fixed costs for the Office of the Chancellor. Included within the consulting contracts line are the contracts for project management for capital projects and external auditor costs.

Vice Chancellor King gave a thumbnail tour of the items that will come before the Finance and Facilities Committee during the coming year. Major division work plan activities include the FY2012-Biennial Operating Budget Request; the FY2012 Operating Budget, continuous improvement of the allocation framework; FY2010 Financial Statements; college and university financial health indicator/measurement project (CFI), the Revenue Fund bond sale and the FY2012-2017 capital budget request.

Chair Renier recessed the meeting at 10:25 am.

Respectfully submitted,
Nancy Lamden, Recorder