

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE  
MEETING MINUTES  
April 20, 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, 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 April 20, 2010, 4<sup>th</sup> Floor, Board Room, 30 East 7<sup>th</sup> Street in St. Paul. Vice Chair Hightower called the meeting to order at 8:05 am.

**1. MINUTES OF MARCH 16, 2010**

The meetings were approved as submitted.

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

Vice Chancellor King reported that the Omnibus Higher Education bill is complete. The bill included very little “policy” language. The bill did raise the limit for revenue fund bonds outstanding to \$300M per the Board’s request. Staff will return late this fall with a recommended sale plan for proposed projects. There is pending another bill which impacts the System in the House – the Higher Education Policy bill. This bill includes significant adverse language not requested by us.

The Structural Review Advisory Committee has presented its report to the Chancellor. The Chancellor is now seeking broader input from the Leadership Council. It is expected that he will accept the recommendations and apply the advice to the FY2012-2013 budget planning effort for the Office of the Chancellor. The target reduction for the Office of the Chancellor in FY2012- 2013 is 10% (approximately \$5M) per year. This covers both state support reduction and the cost of inflation. Position reductions and reduction in the scope of the office’s activities is expected. The goal is to have recommendations to the Leadership Council by October 2010. The Board of Trustees will be asked to endorse the plan before December 2010. The work will strengthen the organization for the long term; leave a stable, focused organization for next chancellor; and keep services to students foremost. The OLA report recommendations will guide the decisions.

For FY2011 the Office of the Chancellor is planning a reduction of \$1M. Reductions will come from across the office with the largest four divisions taking the bulk of the cuts. Management is designing a BESI program for Office of the Chancellor employees which may impact FY2011 and FY2012 operations.

**3. 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. The changes were characterized as housekeeping in nature.

**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.

Trustee Benson moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Frederick 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 5.13 Information Technology Administration; Policy 6.4 Facilities Planning as shown in Attachments A-B.

**4. 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. The changes were characterized as housekeeping in nature.

**Policy 5.14, Procurement and Contracts**

Policy 5.14, Procurement and Contracts was amended at the March 2010 meeting. It was recommended by committee members at that time that approval by the Board of Trustees should be required for inter-agency and 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 with a value greater than \$3,000,000. Trustee McElroy approved of the new language.

**Policy 5.17 Resources Recovery and Environmentally Responsible Practices**

As shown in Attachment B, the proposed amendment to Policy 5.17 Resources Recovery and Environmentally Responsible Practices clarifies responsibilities of the chancellor and college and university presidents. New language states that the chancellor, in concert with college and university presidents, shall develop system-wide procedures and initiatives that reflect long-term stewardship of the campus physical

environment. The chancellor shall develop facilities planning guidelines, design and construction standards, and energy conservation procedures that appropriately provide for enhanced sustainability and long-term stewardship of campus physical resources.

Al Johnson, Associate Vice Chancellor for Facilities, confirmed that the word “recovery” in the title referred to “recycling” options. The new name of the policy, if approved, will be “Sustainability, Resources conservation and Recovery, and Environmentally Responsible Practices”.

**Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities**

The proposed amendment to Policy 6.6 Facilities Maintenance and Repair Including Revenue Fund Facilities states that the chancellor shall develop and implement processes by which the physical condition of system facilities can be assessed and gauged, and shall determine targets for annual operating budgets for campus-funded repair and replacement (R&R).

The policies will be brought to the May meeting for their second reading.

**5. FY2012-2017 CAPITAL BUDGET GUIDELINES (First Reading)**

Associate Vice Chancellor Allan Johnson reviewed the capital budget guidelines which are scheduled for a second reading and action at the May Board of Trustees meeting. The proposed guidelines correspond to the system’s strategic plan in overall tone and in the criteria used for project evaluations. The core element of this process is the identification of capital needs by each college and university, development of the required predesign and project description documents, and submission to the Chancellor and Board for consideration. Each institution’s vision for future academic and student services’ needs result in facilities requirements in support of their mission.

Project submittals are due from campuses in fall 2010. Scoring and prioritizing of projects will begin in January 2012. After approval by the Board of Trustees in late spring 2011 the capital budget request will be sent to Minnesota Management and Budget and the Governor. Legislative tours will occur during the summer and fall of 2011 prior to the 2012 legislative session.

An important component of capital budgets in the last 10 years has been the request for major repair and replacement funding under the Higher Education Asset Preservation and Repair (HEAPR) program. The HEAPR guidelines emphasize maintaining campuses that are warm, safe and dry; focusing on renewal and backlog; providing a reliable infrastructure; consideration of life safety, environmental impacts, energy conservation, operations and maintenance costs, and accessibility and spending wisely and quickly (advance design and studies for options on any project over \$1 million).

The committee discussed concerns about the unfunded projects that may be carried forward from the current list. Trustee Benson questioned the need for new space if 25% of students now taking online courses. Mr. Johnson noted that the students taking online courses also take classroom based courses so the system has not seen a decreased need for space. That may change in the future. The Board also discussed scoring of carry-forward projects and how, returning to the practice of 2008 and prior,

might affect projects that were in the bonding bill but which were vetoed by the governor. Further discussion about the guidelines will take place at the May meeting.

**6. FY2012-2013 BIENNIAL OPERATING BUDGET REQUEST** *(Information)*

*Note: This item was presented out of sequence prior to the public hearing on the FY2011 Operating Budget.*

Vice Chancellor King reviewed that every other year as part of the state's operating budget process, the system develops a biennial operating budget request. Because of the uncertainty in the state's budget, Vice Chancellor King is seeking committee input on how to move forward with development of an operating budget request.

Vice Chancellor King noted that after factoring in the governor's planning assumption of \$594.4 million of appropriation, expenditure inflation assumptions at the CPI level of 2.1 percent and 1.9 percent, the system is projecting a \$91.9 million shortfall over the next biennium. This estimate is prior to consideration of any further appropriation reductions, additional tuition revenue as a result of rate increases or enrollment change, and labor settlement costs above the CPI inflation assumptions. Ms. King noted that this is simply a model and should not be used for decision making as it is so early in the process that the assumptions will surely change. Nevertheless it is evident that there will be a shortfall in FY2012-13.

Historically, the development of the system's biennial budget request is a collaborative process between the Board, the Leadership Council, and constituent groups. Conversations with stakeholders would occur at scheduled meet and discuss sessions with students, meet and confer sessions with bargaining groups, Leadership Council, and other venues with system constituents. Based on the input from the stakeholders, the chancellor would develop and release his recommendation for the biennial operating budget request to the Board for its action in late fall.

In the past, the biennial operating budget request sought resources for inflationary costs and for advancement of the strategic priorities of the Board. If it is the Committee's desire for the system to pursue development of a biennial budget request that seeks new resources above the forecast base, the Chancellor and Vice Chancellor – Chief Financial Officer will seek advice as to the content, size, and role of tuition in the budget request that would move forward.

Chancellor McCormick noted that if the state's deficit remains as forecasted the system's fair share would be a reduced appropriation of \$200M. The worst case scenario would be a reduction of over 15% if the legislature assumes the solution is entirely expense side. Vice Chancellor King asked members to consider the issues discussed in this report and further conversation will continue at a future meeting.

**7. 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.

Chair Renier recessed the meeting at 9:41 am and asked that members return in four minutes to re-convene for the FY2011 Operating Budget public hearing.

Respectfully submitted,  
Nancy Lamden, Recorder