

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE AND FACILITIES COMMITTEE
MEETING MINUTES
July 20, 2010**

Finance and Facilities Committee Members Present: Dan McElroy, Chair; Trustees Duane Benson, Cheryl Dickson, Christopher Frederick, Clarence Hightower, Phil Krinkie, and James Van Houten

Finance and Facilities Committee Members Absent: Michael Vekich, Vice Chair

Other Board Members Present: Jacob Englund, Alfredo Oliveira, David Paskach, Louise Sundin and Board Chair C. Scott Thiss

Leadership Council Representatives Present: Vice Chancellor Laura King, President Richard Davenport

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on July 20 2010, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Vice Chair Hightower called the meeting to order at 1:05 pm.

1. MINUTES OF June 16, 2010

The minutes were approved as submitted.

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

Vice Chancellor King updated the committee on the OLA Report action items. The Finance Division's action items are either completed or right on schedule. A cost benefit analysis of the efficiency and effectiveness objective is being prepared. Vice Chancellor King is working with Vice Chancellor Huish on the items that will require ITS involvement. Chair McElroy clarified that although the efficiency and effectiveness goal may also apply to the academic area, the OLA report is referring to administrative efficiencies.

3. DISCUSSION WITH COMMISSIONER TOM HANSON, MINNESOTA MANAGEMENT AND BUDGET

Chair McElroy greeted Commissioner Tom Hanson and Executive Budget Coordinator Charlie Bieleck from Minnesota Management and Budget. Commissioner Hanson began his presentation by noting that the state's financial condition affects cash flow for Minnesota State Colleges and Universities. The state pays out more at the beginning of the biennium and receives most of its revenue at the end. The state maintains a cushion which allows it to absorb that imbalance. As the economy has tightened and the state's revenues have dropped in the last few years that cushion has dwindled. The state has the ability to draw from the general fund and a broader statutory general fund. Even in good economic years cash is moved back and forth between the funds.

Minnesota State Colleges and Universities funds equal one quarter of the state's entire statutory general fund and therefore are a big component of the cash flow story. The state borrowed \$250M from MnSCU in FY2009 and \$365M in FY2010 which has been repaid. An agreement with MMB and Vice Chancellor King guaranteed that a minimum balance of \$200M would be available to the system. In FY2011 the cash flow situation will require that the state delay K12 payments (about \$70M); delay UMN payments (\$89M), delay health plan payments (\$110M) as well as using the MnSCU funds. The state hopes to have an external line of credit set up with US Bank by September 1, 2010. The state's general fund will run with a balance of \$400M balance this fiscal year. They will allow the system to have a \$100M balance this year.

Commissioner Hanson will work very closely with Vice Chancellor King to manage the cash flow. He is confident that MnSCU will have the funds available to meet its obligations. If the state must resort to short term borrowing it will do so to allow MnSCU to have a \$100M balance and the funds its needs to meet its obligation.

Board Chair Thiss questioned whether tuition payments could be borrowed also. Vice Chancellor King confirmed that tuition payments also go into the general fund and will be used by the state. Commissioner Hanson emphasized that MnSCU would have the funds available to meet its obligations even if the state needed to borrow funds.

Chancellor McCormick suggested that another letter of agreement be drafted for the FY11 cash flow plan. Vice Chancellor King commented that the Commissioner has been entirely honorable and reliable concerning the promises and commitments made in FY10.

Chair McElroy noted that the statute allowing the borrowing situation is based on the state having a balanced budget. Commissioner Hanson did not have concerns about the coming election affecting the repayment of the funds.

Mr. Bieleck noted that in the later part of the 1980's and early 1990's there were large surpluses and additional cash was not needed by the state. In those years when cash flow problems arose there was inter-fund borrowing with repayment by the end of the fiscal year. He noted that although there has been borrowing in the past but never at the level seen this year.

Vice Chancellor King responded to Trustee Van Houten's question about vendors by noting that this loan agreement would not affect our payment schedules or relationships with vendors. Commissioner Hanson confirmed this.

Trustee Hightower questioned whether this loan would have an effect on MnSCU's bond rating. Vice Chancellor King did not think the system's rating would be affected. Commissioner Hanson did not know if the short term borrowing would even result in a change in the state's bond rating.

The committee thanked the Commissioner for his presence and expressed support for Vice Chancellor King's management of this topic.

4. **MINNESOTA STATE COMMUNITY AND TECHNICAL COLLEGE, WADENA CAMPUS RECONSTRUCTION CONTRACT** (*Action*)

Vice Chancellor King requested Board of Trustees approval of a contract for restoration work for the Minnesota State Community and Technical College -Wadena campus not to exceed \$5M. The State Risk Management Office, the Office of the Chancellor Director of Risk Management, and the insurance adjuster have assessed the damage sustained when the campus was hit by a tornado on Thursday June 17, 2010. The estimated cost for restoring the college to pre-tornado conditions is in the \$3 to \$5 million range.

Kent Dirks, Project Manager, noted that J.P. Structures, Inc., headquartered in Menasha Minnesota, has done prior work at the Wadena campus and elsewhere in the system. The restoration will include the utility buildings used by the linemen program as well as the main campus building and is anticipated to cost \$3.5M. The items noted as critical will be completed by August 15, 2010 with completion of less critical items by October 15, 2010. The scope of items and critical dates is included in the contract. Trustee Hightower commented that the design-building method of reconstruction is the right way to go in this situation.

Trustee Sundin inquired if the firm engaged any under-represented employees. Mr. Dirks responded that he get that information for the trustee. (Note: JP Structures, Inc. is not state certified as a Targeted Group (TG) or Economically Disadvantaged (ED) Vendor. However, as this project solicitation was over \$100,000.00, respondents were required to provide an Affirmative Action Certification of Compliance. JP Structures did provide this certification of compliance in their proposal.)

Chancellor McCormick commended President Valentine and her staff for the remarkable response to their students after the tornado.

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

RECOMMENDED MOTION:

The Board of Trustees authorizes the chancellor or his designee to execute a Design-Build contract with J P Structures, Inc. for restoration work at the Minnesota State Community and Technical College - Wadena campus for up to \$5M as described herein.

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

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

RECOMMENDED MOTION:

The Board of Trustees approves amending Policy 6.5 Capital Program Planning as shown in Attachment A.

6. PROPOSED AMENDMENT TO BOARD POLICY 5.16 RISK MANAGEMENT AND INSURANCE (*First Reading*)

Vice Chancellor King noted that as part of the scheduled board policy review it was determined that the policy should be amended to reflect that the Office of the Chancellor, colleges, and universities will obtain liability insurance in addition to property and casualty insurance as appropriate either through the State's Risk Management Program and/or other authorized and applicable programs.

Liability insurance coverage has always been purchased when appropriate. However this wasn't explicitly stated in board policy. The addition of the word "liability" specifically states that liability coverage should be purchased where appropriate. Trustee Van Houten concurred that the policy language is broad and inclusive and allows flexibility. The proposed amendment will have a second reading at the September Board of Trustees meeting.

7. DISCUSSION OF COMMITTEE GOALS (*Information*)

Vice Chancellor King referred to a colored matrix which was provided to the committee earlier which had the committee's goals.

Chair McElroy asked that technical college equipment purchases be added to the list of goals. Vice Chancellor King noted that pre-merger there was a line item in the appropriations bill for equipment. Over the years equipment purchases became a block grant with a separate line on the green sheet. That line item was removed over 6 years ago. Line items have been gradually eliminated over the years allow the Board to have discretion to appropriate funds. The allocation framework tries to offset the high costs of equipment to smooth out distortions in high cost programs. Discussion of this topic will continue when the allocation framework item is discussed. Chancellor McCormick noted this is a good opportunity to seek donated funds or equipment from the business community.

Trustee Van Houten suggested more consistent language be used. Some goals suggest reducing "unnecessary" spending and others use the term "wasteful".

Chair McElroy noted that the committee goals will be back on the agenda in September for further discussion. Vice Chancellor King commented that many of the items on the list are already scheduled for Board discussion throughout the year. She volunteered to do some strategic sorting and combining to make it easier for discussion purposes.

Trustee Benson requested more discussion about the size of the bonding bill and physical plant size. Chair McElroy suggested that the discussion occur before the capital budget request.

Chair McElroy recessed the meeting at 1:56 pm.

Respectfully submitted,
Nancy Lamden, Recorder