

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

November 14, 2012

Finance and Facilities Committee Members Present: Chair Michael Vekich, Trustees Brett Anderson, Philip Krinkie, David Paskach, Tom Renier

Other Board Members Present: Margaret Anderson Kelliher, Duane Benson, Cheryl Dickson, Clarence Hightower, Maria Peluso, Louise Sundin

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King, President Richard Hanson and President Joe Opatz

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on November 14, 2012, 4th Floor, McCormick Room, 30 East 7th Street in St. Paul. Chair Vekich called the meeting to order at 9:05 a.m.

MINUTES OF October 17, 2012

The minutes of the October 17, 2012 Finance and Facilities Committee meeting were approved as published.

1. FINANCE AND FACILITIES UPDATE

Vice Chancellor Laura King reported that Minnesota State Colleges and Universities (MnSCU) is still waiting on Minnesota Management and Budget's (MMB's) response in order to complete the financial statement work. There is a risk that the delay in finalizing the statements could delay the rating agency presentation and execution of the Revenue Bond sale.

MMB's loan balance remains at \$625 million. There is no change from October report.

The 2014 Capital budget request is \$216M with 31 major capital projects. Project scoring is set for early January 2013 at Normandale. The Chancellor's 2014 program recommendation to the Board will occur in May and June 2013.

2. 2013 REVENUE FUND SALE – SECOND READING

Associated Vice Chancellor Brian Yolitz briefly reviewed the information that was covered at the October meeting. Mr. Yolitz noted that some small changes were made to Attachments A and B. The documents are labeled Revised Attachment A and Revised Attachment B. Materials addressing the questions raised by Trustee Krinkie concerning the Metropolitan State projects have been added. Mr. Yolitz said there is ample evidence that the recommended projects are warranted and consistent with policy. The Board has already

approved the Science Building design as a part of the 2012 General Obligation Capital program and the request for construction funds will come as part of the 2014 request. If construction of the Science Building moves forward, then the recommended parking structure must be built in order to satisfy city parking officials.

Mr. Yolitz said the purpose of the presentation is to gain Board approval for 7 projects at 5 universities. There are three types of Capital investment sources – Revenue Fund bonds, General Obligation bonds and other funding such as gifts, partnerships, etc. The system issues and owns the bonds which are rated by two agencies – Moody’s (Aa2) and Standard & Poor’s (AA-). There is intensive student involvement throughout the planning and scoping of the work prior to the Board’s review. The Revenue Fund is self-supporting, meaning revenue from the projects support the debt and no tuition or state funding can be used for the operations of the financed facility or the related debt service.

Mr. Yolitz outlined the preparation for the 2013 bond sale. In May of 2011 there was a call for projects and student and campus discussion. In summer through fall of 2011, the predesigns and financial analysis were completed, there were student consultations and the preliminary project list was produced. In spring and summer of 2012, the legislation increased the debt ceiling and the predesigns and financials were refined. In fall of 2012, more student consultations were conducted, the Board reviewed the projects for the first reading in October, and after today’s presentation, the committee will be asked to vote on the motion to approve the Revenue Bond sale for not more than \$70M. If approved, the rating agency presentations and visits will begin, with the sale taking place in January and February 2013.

As follow up to the October Board meeting, Mr. Yolitz responded to questions that arose regarding projects at Metropolitan State University. Mr. Yolitz said that the institution has 6,100 FYE (11% of the entire system’s FYE) and 11,000 student head count. The university has grown by 13% in the last three years, outpacing all sister universities in the system. Metropolitan State also comprises 4% of the system’s university gross square footage.

The projects for 2012-2016 include the Metropolitan State University Science building, parking and a student union as part of their Master Plan. Planning for 2016 and beyond will include a request for a classroom building. Metropolitan State University is a key component in the system metropolitan area academic plan.

The projects in the 2013 bond sale will renovate 425 beds (142K sq ft of space), remove 1200 beds from the system’s residence hall inventory (275K sq ft), add 815 parking stalls, add 3500 sq ft of new student union space at two campuses and prepares for work in anticipation of the 2015 bond sale. In addition to Metropolitan State University’s request, MSU Mankato, MSU Moorhead and St. Cloud State University will continue with their residence life programming, and St. Cloud State and Winona State will renovate existing student union spaces. Mr. Yolitz noted that these requirements come from planful work at the campuses within their Facilities Master Plans. There has been extensive student consultation in accordance with Board policy, satisfactory financial analysis for the projects and all are within the fund’s authorized debt levels. Mr. Yolitz presented the recommended

motion for the Board to approve the Revenue Bond sale for not more than \$70M and called on the Board for questions.

Trustee Krinkie said since the last Board meeting, he visited Metropolitan State University. Trustee Krinkie said that the City of St. Paul purchased and cleared an area east of the campus and requested that any action be delayed until there is a discussion with the City of St. Paul to possibly purchase or lease the land for parking space. It is currently slated for a mix of commercial and housing projects. Trustee Krinkie said in regards to parking, it is cheaper to build out than up and he has concerns about a \$20M project that is not being used for academics. Trustee Hightower asked Mr. Yolitz to talk about the other ramps that have been built. Mr. Yolitz said that Normandale and St. Paul College both have built ramps. Normandale added 720 stalls and St. Paul College added 618. Metropolitan State needs 815 stalls. Mr. Yolitz said that ramps are expensive (\$18,000 per stall) but necessary. President Hammersmith brought forward the plan for the ramp as part of the 2010 Master Plan. Trustee Hightower said that no one is arguing the need for parking and he feels due diligence has been done around the project so he supports it. Trustee Anderson also supported the project because he is a student there and knows of the need for more parking.

Trustee Paskach asked to clarify some of the costs of the bond sale. Mr. Yolitz explained that the costs associated with a bond issuance reflect all of the fees with taking the bonds to market. Mark LeMay from Springsted (financial advisor from MnSCU) added that the 11% includes an eighteen month debt service reserve and that is a conservative estimate.

Trustee Sundin asked if technical and community colleges can participate in the Revenue Fund. Mr. Yolitz replied they are eligible.

Trustee Anderson asked if these were Metropolitan State's first two projects in the fund and Mr. Yolitz confirmed that they were.

Trustee Krinkie asked President Hammersmith if there have ever been negotiations to acquire the land he mentioned earlier. President Hammersmith replied that negotiations have taken place recently and prior to her presidency. The city has made a ruling that there will be no more surface lots in that area because lots aren't what the city and the taxpayers want. Trustee Anderson Kelliher added that the trend is redevelopment in order to increase tax revenue and MnSCU does not pay taxes, so it is unlikely a deal could be struck. Trustee Krinkie said that it is unlikely the city will develop the land without some economic development funding.

Trustee Paskach moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Hightower seconded the motion. The motion prevailed with Trustee Krinkie voting in decent.

RECOMMENDED COMMITTEE MOTION:

The Board of Trustees authorizes a Revenue Bond sale for not more than \$70,000,000 subject to the sale parameters as presented on **Revised Attachment A**. The Board of Trustees approves the Series Resolution as described in **Revised Attachment B**.

3. TUITION WAIVER REQUEST – NORTHLAND COMMUNITY AND TECHNICAL COLLEGE’S IMAGERY ANALYSIS PROGRAM

Vice Chancellor King said in order to move the meeting along, the tuition waiver request could be considered housekeeping in nature and noted a similar request from Northland last year was approved by the Board.. The program is grant funded and a stipulation of the grant agreement is that students in the programs do not pay tuition. Because it is a total waiver of tuition, it required Board approval.

Trustee Paskach moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Renier seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE MOTION:

The Board of Trustees approves a tuition waiver for courses in Northland Community and Technical College’s Imagery Analysis program that have a prefix of IMAG. This waiver is approved for spring semester of academic year 2013, fall and spring semesters of academic year 2014, and a prorated portion of fall semester of academic year 2015.

4. MICROSOFT CAMPUS AGREEMENT CONTRACT APPROVAL

Vice Chancellor King reported the Board originally approved staff execution of a contract with Microsoft not to exceed \$4.5 million in March 2012. College and university demand for Microsoft products exceeded earlier estimates and drove the multi-year total value of the contract above the Board’s earlier approval. This action is expected to support the contract through the three year term at a new total not to exceed \$6.4 million. The contract is not yet at the \$4.2 million mark, but it expected to exceed it because there is more interest by the campuses than what was modeled.

Trustee Renier moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Anderson seconded the motion. The motion prevailed with Trustee Krinkie voting in decent.

RECOMMENDED COMMITTEE MOTION:

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

The Board of Trustees approves the three year Microsoft licensing term not to exceed a value of \$6,400,000 million dollars. The Board directs the Chancellor or his designee to execute all necessary documents.

5. FY 2014-2015 BIENNIAL LEGISLATIVE REQUEST

Chancellor Rosenstone thanked the Board for their assistance with the first reading at the October meeting and said it was encouraging to hear Board members voice support for the strategy and request. Chancellor Rosenstone said since the last Board meeting he and Vice Chancellor King have had an opportunity to meet with several union groups and the statewide student associations regarding the proposal. The proposal was presented to the Commissioner of MMB on November 5, 2012. Trustee Hightower assisted with that presentation and it was well received.

Chancellor Rosenstone said Minnesota faces the challenge to dramatically increase the number of working-age adults with a post-secondary credential. MnSCU will need to serve more students than ever before, retrain the unemployed, help those who started college but did not finish, provide access to education, see to it that high school graduates are college ready and increase college success rates, especially low income students, students of color and first generation college students. The proposal includes these outcomes that will advance Minnesota's prosperity.

Vice Chancellor King stated the proposal calls for collaboration and is designed to provide programs that will meet workforce needs, produce more graduates in high-demand, high growth professions, produce more graduates with experience on state-of-the art equipment, protect and enhance affordability and ensure more students complete their education in a timely and cost-effective manner.

Vice Chancellor King said that many of the initiatives do not depend solely on state funding – some include a private match to state funds, some are funded entirely from private sources and some funding is provided through internally generated costs savings and efficiencies. The proposal includes funding strategies from three sources: state support, campus efficiencies and external support and tuition revenue.

The first initiative advances the competitiveness of Minnesota's workforce through internships and apprenticeships that are designed to provide hands-on learning experiences for college and university students across the entire state. MnSCU's commitment is to raise \$3M by April 2014 before the 2015 funds are released. MnSCU will also partner with trade unions to expand diversity in the apprenticeship ranks and they are excited to work together to expand diversity in their ranks and train the next generation of highly skilled trades.

MnSCU's accountability commitment to the Leveraged Equipment Program is to raise \$7.5M by April 2014 before the 2015 funds are released. There is an urgent need to train students on state-of-the-art equipment. There was huge success in the 2012 pilot program where colleges and universities secured \$731,000 in contributions from 53 businesses, six

foundations and four vendors, more than matching the \$457,000 state appropriation. There is a dollar-for-dollar business match component to the program.

The Faculty driven educational innovations investment will enable MnSCU to move forward with the priorities that were expressed in the faculty forums with investments in classroom technology to improve teaching and learning.

Vice Chancellor King continued that MnSCU is committed to driving \$44 million in administrative efficiencies over the next biennium through designing common business practices systemwide for finance, human resources, financial aid processing, and strategic sourcing. In addition, MnSCU is committed to use these savings to hold down tuition. These efficiencies are over and above the \$76 million in savings generated over the past two years (FY2012 and FY2013).

The proposal calls for a modest tuition increase, capped at \$145/year for full-time college students and \$205/year for full-time university students. A statewide scholarship program is expected to generate at least \$20 million in scholarship support that will help over 16,000 students across the state.

Vice Chancellor King said the proposal also recommends advocating for change within the existing state grant program. A recommendation will be made to the Board to pursue a law change this year that will open the benefits of this program to more than 7,500 part-time students who are currently excluded from participating in the state grant program.

The last component of the proposal focuses on accelerating completion. It is proven that students are more successful when they have early success. In order to reduce the cost of college and accelerate completion, students who are prepared to begin college can, while they are still in high school. This can be done by expanding the Post-Secondary Enrollment Options program and as well as increase opportunities for concurrent enrollment (that is for students to take college courses at their high school). In addition, there will be an expansion of mentorships and training of concurrent enrollment high school teachers to assure the quality of these collegiate experiences for students. Work will be done to align high school graduation and college entrance assessments to identify earlier the high school students who are not on track with college readiness and and provide them with targeted interventions and support.

These initiatives provide a path to accelerate post-secondary degree completion and the opportunity for families to leverage programs that make earning a high quality post-secondary degree affordable. These initiatives will appear in a bill that is being developed in collaboration with the Commissioner of Education.

Vice Chancellor King reported that faculty are in their fourth year with no salary adjustment. The faculty are partners in the strategic efforts that are being pursued and their importance is recognized in this budget proposal. MnSCU has not kept up with the national market for faculty and MnSCU faces a tremendous wave of retirements in the next five years at a time

of tightening competition for talented faculty and staff. The proposal contains funds for a 3% increase in total compensation (wages and health insurance premiums).

The cost of educating a MnSCU student has declined by 10% since 2000 due to efficiencies. The Campus Service Cooperative is finding more efficient ways to do business and those efforts continue to expand into different areas and to include more partners.

The FY2014-FY2015 biennial budget request totals \$40M for the year starting July 1, 2013 and \$57M for the year starting July 1, 2014. The requested state increase will bring MnSCU back to a 2007 state support funding level. On a per student FYE basis, adjusted for inflation, the request is still 42% below the 2000 funding level. Compared to FY2013, this would be a 1% increase in the share of the general fund budget that is covered by the State of Minnesota.

Vice Chancellor King called on President Hanson and President Opatz to speak on behalf of the presidents. President Hanson said that the proposal has received Leadership Council support because of its strategic intent. The disinvestment in higher education by the State of Minnesota has been severe, and campuses have felt the implications. President Hanson said the MnSCU institutions have an important role to play in meeting workforce needs. The proposal is moving MnSCU in the right direction by creating a culture of philanthropy. President Opatz added that there is enthusiasm at Leadership Council surrounding the proposal and they are ready to take it to the legislature. President Opatz said that the presidents like the shared responsibilities, the focus on the Strategic Framework, and the discretion they have on how they will make investments within their own communities.

Chancellor Rosenstone said that the proposal is a value proposition – with the investment in MnSCU, MnSCU will deliver what is promised. 100% of the funds are for students and academic programs and calls for shared responsibility – once the funds are received, the work will begin raising the matching funds. There is a built in set of accountabilities within the proposal and the benchmarks of the first year must be met in order to access second year funding. Working together with the Department of Education and DEED, MnSCU will be able to provide access and opportunity. Chancellor Rosenstone said there is an expectation of bipartisan support in the legislature and called for Board support of the motion to approve the proposal as presented.

Trustee Anderson asked about the statewide scholarship campaign. Vice Chancellor King said that colleges and universities will work with their individual foundation on fundraising and there will be a variety of methods to it. Trustee Anderson added that as a student, it has been interesting to vote on raising tuition once you have to pay it and thanked the Chancellor and staff for coming up with this plan.

Trustee Anderson Kelliher asked if a change in the state grant program for part-time students would hurt full-time students. Vice Chancellor King said that most MnSCU students are part-time. Currently the funding formula provides that the more credits a student is enrolled in, the higher the state support through grants. Vice Chancellor King said the recommendation is that the state grants should be prorated similar to a PELL grant so that a

half-time student gets half of what a full-time student is awarded. If the percentage for a part-time student increases, the student could work less. Trustee Anderson Kelliher complimented Chancellor Rosenstone, his staff and the Finance Committee on making sure that this is an outcomes based proposal. Chancellor Rosenstone replied that more and more students are struggling financially to get through school and the populations that MnSCU serves are not the same as before – students who have not had access and opportunity. It would be important to bring academic advisors to testify as to the circumstances of these students. Their trend is to start and stop because of lack of funds or try to go full time while working and they don't succeed.

Trustee Sundin asked about the 10,000 internships/apprenticeships and how many conversations and agreements have been made. Vice Chancellor King said positive conversations have taken place at the leadership level; however, she did not have number. Trustee Sundin commented with regard to the accelerated completion goal, that there should be discussions with the commissioner and legislature about adopting the common core in order to better align with students being college ready. Trustee Sundin also inquired where the discussion of the strategies outlined here will take place. Chancellor Rosenstone replied he will be consulting with individual Board members for their insight. Trustee Sundin said it will take more than a couple of people to articulate the needs. Chancellor Rosenstone assured her that those connected with our colleges and universities – communities, businesses, students and alumni will assist in the communication.

Trustee Benson commended all who helped in the proposal and thinks it will change how funding requests are brought before the legislature. Trustee Benson added that MnSCU has started this evolution and it should not stop here.

Trustee Renier moved that the Finance and Facilities Committee recommend adoption of the following motion. Trustee Paskach seconded the motion. The motion prevailed.

RECOMMENDED COMMITTEE MOTION:

The Board of Trustees of the Minnesota State Colleges and Universities is committed to *Working Together for Minnesota's Prosperity* in partnership with the governor and the legislature, business and industry, Minnesota communities and its colleges and universities. The Board of Trustees approves the 2014-2015 biennial operating budget request in the amount of \$97 million and strongly urges the governor and the state of Minnesota to support the Minnesota State Colleges and Universities 2014-2015 biennial operating budget request.

The meeting was adjourned at 11:17 a.m.

Respectfully submitted,
Laury R. Anderson, Recorder

Date Submitted to the Board of Trustees: January 16, 2013