

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
May 20, 2008**

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

Finance/Facilities Policy Committee Member Absent: Michael Boulton

Other Board Members Present: Caleb Anderson, Cheryl Dickson, David Olson, David Paskach, Christine Rice, and Ann Curme Shaw

Leadership Council Representatives Present: Vice Chancellor Laura King; President Judith Ramaley, Winona State University

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on May 20, 2008, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Hightower called the meeting to order at 8:35 am. Trustee Thiss announced that the Executive Committee of the Board of Trustees approved the Board's FY2009 operating budget in the amount of \$240,000. This is a 10% reduction from FY2008.

1. MINUTES OF MARCH 18, 2008

The Finance/Facilities Policy Committee meeting minutes of March 18, 2008 were approved as presented.

2. MINUTES OF WORK GROUP ON TECHNOLOGY MEETING OF MARCH 10, 2008

The Work Group on Technology meeting minutes of March 10, 2008 were approved as presented.

3. FINANCE, FACILITIES, AND TECHNOLOGY UPDATE (*Information Item*)

Vice Chancellor King updated the committee on the Winona State University laptop program. The university has worked very diligently to establish a framework for addressing the concerns of the students and the Board regarding this program. A work plan has been developed as a result of student listening sessions and will be complete in the fall of 2008. The all-university advisory committee structure has been expanded to include a new Technology and eLearning Advisory Committee. An outside evaluator will be engaged to look at the entire program. Vice Chancellor King will update the committee next spring.

Vice Chancellor King reported that Governor Pawlenty signed the 2008 bonding bill on April 7, 2008. The bill included \$235M of capital projects for Minnesota State Colleges and Universities (general obligation bonds of \$177M and \$57M of user financing). Even though six projects were vetoed (four major projects, a series of small classroom renovation projects and land acquisition) this is the largest final bill

ever for the system with 67% of the request approved. She conveyed her appreciation to Al Johnson and Sally Grans, along with government relations staff, and all the college and university presidents and staff for an outstanding effort this year.

Vice Chancellor King briefly updated the committee on recent changes in the federal student loan market program which have caused many lenders to withdraw from the program. MnSCU students take out over \$300 million per year in federal subsidized and un-subsidized loans through the federal program. Chris Halling and Vice Chancellor King met recently with both Wells Fargo and U S Bank senior management in this area. There is cautious optimism that FY2009 lending activity will continue with little disruption for our students. Colleges and universities have been encouraged to complete the application process for the federal DOE direct lender program as a contingency.

Vice Chancellor King reported that a white paper on the economic study, the Tuition Study Including the Price of Attendance, will be presented to the committee at their July meeting. Recommendations from this discussion will be a part of FY2010-2012 operating biennial budget planning in the fall.

4. MINNESOTA STATE COLLEGES AND UNIVERSITIES SYSTEM AND STATE ECONOMIC AND DEMOGRAPHIC OUTLOOK FOR FY2010-2011
(Information)

Vice Chancellor King introduced state economist Tom Stinson who addressed the Committee on the short term concerns and longer term challenges of Minnesota's economy. He noted that the decline in employment and weak growth in personal income and real sales indicates we are (almost certainly) in a recession. Although the federal stimulus package is expected to create some growth in the third quarter it is unknown if that growth can continue. In fact, Mr. Stinson remarked that if gasoline prices go up \$1.00 per gallon it would be equal to all of the stimulus funds. Housing starts are the lowest since World War II and he does not anticipate that the housing industry will recover quickly.

Mr. Stinson felt that an important story is being missed in the aging of Minnesota workers. From 2005 to 2015 the largest growth in Minnesota will be in persons ages 55 to 69. This means that there will be fewer younger workers. In 2008 Minnesota will see a 30% jump in workers turning age 62. Half of persons aged 62 are retired or planning to retire soon. Competition for the future workforces will increase as the population ages and migration into Minnesota is not likely to ease the shortage.

According to Mr. Stinson, Minnesota State Colleges and Universities is in a position to make a difference in Minnesota's economic future in the next decades. The System can play an important role in retraining/upgrading of skills, recruitment and retention of the workforce. Education is the key to productivity and the right tuition policy will make it easier to recruit new workers. Mr. Stinson noted the graduation ratio of all the ethnic groups in the state and commented that none of the groups now achieve the graduation completion rate of the current workforce.

Chair Hightower thanked Mr. Stinson for briefing the Committee. Chancellor McCormick commented on the enormous challenges and enormous possibilities ahead for Minnesota State Colleges and Universities.

5. FY2010-2015 CAPITAL BUDGET GUIDELINES (*Second Reading*)

Associate Vice Chancellor Allan Johnson began his presentation by noting that \$97M of capital projects will be underway this summer as a result of the successful bonding bill.

Minnesota State Colleges and Universities expects to present a FY 2010-2015 capital budget plan to the Minnesota Department of Finance, Governor and Legislature in June 2009 consistent with the state's anticipated capital bonding program for the 2010 legislative session. As part of that plan, specific capital projects recommended for design and/or construction in 2010 will be submitted for the FY2010 bonding bill. Projects recommended for the later years of FY2012 and 2014 will serve as "place holders" for future capital budgets.

Proposed capital budget projects will reflect the four strategic directions of the System Strategic Plan in overall tone and in the criteria used for project evaluation. The strategic directions include 1) increasing access and opportunity, 2) promoting and measuring high quality learning programs and services, 3) providing programs and services integral to state and regional economic needs 4) using innovation to meet current and future educational needs efficiently. Language was added to strengthen access and opportunity by noting that proposed projects should enhance participation and success of underrepresented and underserved students within the identified academic program, the related workforce, or within campus spaces.

Sustainability issues and concerns have exploded on college and university campuses across the state and nation. Much of the initiative has come from students, faculty and staff as well as the general public and nearby communities. In the last three years, significant state legislation has emerged detailing a variety of environmental regulations including standards for building construction, improved physical plant systems, energy monitoring and conservation, use of renewable energy sources and reducing the carbon footprint of buildings and related operations. Accordingly, each capital project must adhere to the letter and spirit of the law, embracing greater energy efficiency and providing for a healthier campus community.

An increasingly important component of capital budgets in the last five biennia has been the request for major repair and replacement funding under the Higher Education Asset Preservation and Repair (HEAPR) program. The FY2010-2015 HEAPR Guidelines call for maintaining warm, safe and dry campuses; focusing on renewal and backlog; providing a reliable infrastructure; and considering life safety, environmental impacts, energy conservation, operations and maintenance costs, and accessibility. Mr. Johnson noted that while there was a 25% enrollment growth less than 10% new square footage was added since merger. Trustee McElroy requested similar data for leased space.

The Board approved the FY2008 - 2013 Capital Budget in June 2007 at \$350 million with specific projects and priorities for FY2008. The proposed size of the 2010 capital budget at that time was suggested to be in the range of \$293 million including \$110 million for HEAPR. This equates to a general obligation financing request of \$232 million and MnSCU financing of \$61 million.

During September through October, colleges and universities should be engaged in discussion of overall program requirements, specific space utilization issues, energy efficiency considerations, and improvement of the FCI. Final project documentation must be submitted by November 28, 2008. Public hearings for new projects, or projects that have changed in scope and/or cost, will be heard by the Board of Trustees between February and March 2009. Presentation of a final, prioritized project list will be presented to the Leadership Council in April 2009; and to the Board in May and June 2009. Approval of the capital budget in June is necessary to meet the state timetable for the 2010 legislative session.

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 Board of Trustees approves the FY2010-2015 Capital Budget Guidelines as presented.

6. HIBBING COMMUNITY COLLEGE – DISPOSITION OF SURPLUS REAL PROPERTY (*Action*)

Associate Vice Chancellor Johnson requested approval for Hibbing Community College to designate as “surplus” and sell the real property commonly known as the Central Campus. The 1998 Bonding Bill, 1998 Minnesota Laws Chapter 404, Section 3, Subdivision 8 required the sale of the Hibbing Central and South campuses as a part of funding the co-location of technical programs on the community college campus. The Central and South campuses have been marketed for sale since 2000. The south campus was sold on a five year contract for deed in 2002 for \$650,000. The contract for deed was paid off in December 2006. Parcels noted as Tracts B and C on the Central Campus are being sold to separate parties “as-is” for \$72,500 and \$75,000, respectively.

The remaining Central Campus parcel, identified as “Tract A”, is being sold to Tom Vidovic, a local businessman, for \$600,000. The property had been appraised at between \$1.1 million and \$1.8 million several years ago, which assumed a clean site. Since the property had been used for automotive repair and has had underground storage tanks in the past, the property is being sold “as-is,” reflective of its current environmental condition. Northeast Higher Education District President Joe Sertich noted that this property has been for sale for 8 years.

Trustee Renier moved that the Committee recommend adoption of the following motion. Trustee Van Houten seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The disposal of the Hibbing Community College, Central Campus property, is approved as presented herein.

7. REVENUE FUND BOND SALE (*Second Reading*)

Associate Vice Chancellor Allan Johnson reviewed that authority was granted by the legislature in 1955 to issue revenue bonds through the Revenue Fund to provide funding for construction and renewal of revenue-producing facilities which typically include residence halls, dining facilities, and student unions. The legislature approved extending access to the Fund by the two year colleges during its recent session.

Revenue Fund project requests have been submitted to the Office of the Chancellor for inclusion in the next bond sale tentatively scheduled for June 17, 2008. The Board of Trustees is being asked to approve a Revenue Bond sale for no more than \$45,000,000 for projects totaling about \$38,000,000. Presentations were made to Moody's Investors Service and to Standard and Poor's Rating Service on May 12th and 13th on the proposed sale. Mr. Johnson commended President Ramaley on the successful visits of the Rating Agency representatives to Winona State University. These organizations gave MnSCU Revenue Fund bonds excellent ratings of Aa3 and AA- respectively in 2007. [Note: Subsequent to the Committee meeting the 2008 bonds received the same ratings from the rating agencies.]

Winona State University submitted two projects to the Office of the Chancellor for inclusion in the bond sale. The first project is for \$29.6M to construct a 400 bed residence hall. The second project submitted is for \$7M to complete expansion of Memorial Hall to house the WSU Integrated Wellness complex. This project is under design and will be bid for construction this summer if the sale is successful.

Mr. Jack Horner, representing the Winona Housing Association (providers of off campus rental housing for WSU students), expressed concern to the Committee about the economic impact on local privately owned housing with the addition of the 400 bed residence hall. Kevin Brady and Kent Grover, co chairs of the association were also in attendance. Mr. Horner noted that his association and Winona State University are working on a joint statement expressing the intent of no net gain in number of student beds with the addition of the new residence hall in the fall of 2010.

Trustee Hightower expressed concern about committing any future Winona State University president to a limit on the number of beds at the University. Gail Olson, General Counsel, confirmed that the joint statement would not be a contractual agreement and would not be legally binding on the Board or the University.

Trustee Van Houten moved that the Facilities/Finance Policy Committee recommend the Board of Trustees adopt the following motion. Trustee Benson seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

The Board of Trustees authorizes a Revenue Bond sale for no more than \$43,000,000 for projects totaling about \$38,000,000; and approves the Series Resolution as described in Attachment B. The sale is subject to the parameters as presented in Attachment C.

8. METROPOLITAN STATE UNIVERSITY FACILITY LEASE (*Action*)

Associate Vice Chancellor Allan Johnson noted that Board Policy 5.14, Procurement and Contracts, Subdivision 3, requires Board of Trustees approval of all contracts, including leases, valued greater than \$2 million.

Metropolitan State University entered into a lease at 1450 Energy Park Drive, Saint Paul, also known as Energy Technology Center (ETC) beginning on September 1, 1995. Metropolitan State University initially leased 26,397 square feet at ETC. Due to the success of the programs at the site, the University expanded its lease incrementally every few years since inception, and is currently on its 10th lease amendment. Chair Hightower commented that he had the opportunity to tour the facility on behalf of the Committee.

Interim President William Lowe, Metropolitan State University, reviewed the history of the lease at ETC. The space at ETC provided flexibility for the university which at times has had over 100 sites in operation per term throughout the metro area. The University currently plans to submit a project for a new health and science building for design funding in the 2010 Capital Budget and construction funding in the 2012 Capital Budget. The current lease amendment at ETC will extend the term of the lease by three years, ending July 31, 2013 for an overall value of \$5,496,942. The landlord has agreed to absorb the cost of the build-out to accommodate growth in biological sciences and to accommodate a large grant project from the Department of Human Services.

Cathleen Brannen, Vice President of Administrative Affairs at Metropolitan State University, apologized to the Board for the University's failure to seek Board approval for the previous amendments with resulting term extensions and total value exceeding \$2 million. Ms. Brannen offered assurance that the University would be more diligent in reviewing campus obligations and Board policies. Vice Chancellor King also offered her apology regarding the oversight.

Trustee Grendahl moved that the Facilities/Finance Policy Committee recommend the Board of Trustees adopt 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 the owners of 1450 Energy Park Drive, Saint Paul, consistent with the terms as summarized on Attachments C and D.

- 9. NORTHLAND COMMUNITY AND TECHNICAL COLLEGE EDUCATIONAL CONTRACT:** It was not necessary to present this report as the partnership with the University of North Dakota and Air China was not completed. Air China chose another provider.

10. FY2009 OPERATING BUDGET INCLUDING TUITION AND FEES (*Action*)

Vice Chancellor Laura King reported that the 2008 legislative session adopted a final 2008-2009 reduction of \$7.9 million for the System. Also included in the final bill is \$600,000 of one-time funds to support the Power of You program at Metropolitan State University, Minneapolis Community and Technical College, and Saint Paul College. The bill provides \$120,000 of one-time funds for a scholarship program designed to increase the diversity of students enrolled in teacher preparation programs. The bill also directs the Board to reallocate funds to remedy the inequities created by last session's funding of the elimination of nonresident undergraduate tuition at specified colleges.

The bill also contains directive language expressing the legislature's expectations that the Board would preserve its intention to limit tuition increases to 2 percent at colleges and 3 percent at universities using the funds previously identified. The Board is also prohibited from passing any of the FY2009 reductions onto the colleges and universities in any way. The Board is required to identify reductions that do not impact previously contemplated college/university fund flows. The Board is also directed to reduce planned technology spending by \$5 million, draw down System reserves by \$1 million, and the remaining \$2.6 million is to be obtained through cuts in the central accounts of the Office of the Chancellor budget.

The 2008-2009 reductions continue into 2010-2011 at \$7.7 million per year. Earlier discussions with legislators indicated the expectation that the technology reduction in FY2009 would be a base reduction of \$5 million per year in FY2010 and beyond. The Chancellor has begun identification of \$2.6 million of Office of the Chancellor and Shared Services Division activities that will be reduced in FY2009. The reductions will be accomplished through a combination of budget savings and delayed or canceled activities. The reduction to the technology program will translate into a slow down in the rate of delivery of new services and tools to students, faculty and staff. The Chancellor would direct efforts to rebuilding the system reserve starting in FY2010.

Vice Chancellor King will report to the committee at the July meeting what initiatives or programs are affected by the budget reductions. Trustee Dickson noted she will report to the committee on the recommended strategy for absorption of the \$5 million reduction in technology spending after the Ad Hoc Technology Committee reviews the recommendations. Chancellor McCormick commented that he feels the System's reductions are manageable.

Trustee Benson moved that the Facilities/Finance Policy Committee recommend the Board of Trustees adopt the following motion. Trustee Grendahl seconded the motion which carried with no dissent.

RECOMMENDED MOTION:

1. Adopt the annual total operating budget and general fund budget for FY2009 in Tables 2 and 3. Per Board Policy 5.9, the Board will be periodically provided system wide budget updates for all funding sources on an exception reporting basis.

2. Approve the proposed tuition structure recommendations for FY2009 as detailed in Attachments 1A through 1E. The percentage impact of resident tuition rates represents the maximum amount that can be applied to other tuition rates charged by the college or university not impacted by reciprocity agreements such as nonresident and off campus rates.

The tuition increase is effective Summer Session or Fall Semester, 2008 at the discretion of the president. The chancellor is authorized to approve tuition structures for new courses or programs proposed after this date, as well as any required technical adjustments, and is requested to incorporate any approvals at the time FY2010 tuition recommendation is presented to the Board. The Board continues the policy of market-driven tuition for closed enrollment courses, customized training, non-credit instruction, continuing education, distance learning and contract postsecondary enrollment option programs.

3. Approve the increases in fee maximums for athletics and health services as detailed in Attachment 2.

4. Approve the Revenue Fund FY2009 fees for room and board and student union, wellness and parking facilities, as detailed in Attachments 3A through 3D.

11. FY2010-2011 BIENNIAL OPERATING BUDGET PLANNING DISCUSSION
(Information)

Vice Chancellor King noted that planning for the FY2010-2011 Biennial Operating Budget has been launched. She encouraged Trustees to read the report and contact her if they had any comments, observations or concerns.

The meeting adjourned at 11:30 am.

Respectfully submitted,
Nancy Lamden, Recorder