

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE
MEETING MINUTES
March 17, 2009**

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

Finance, Facilities and Technology Committee Members Absent: Allyson Lueneburg

Other Board Members Present: Cheryl Dickson, Jacob Englund, and David Olson

Leadership Council Representatives Present: Vice Chancellor Laura King, President Ann Wynia

The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on March 17, 2009, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Renier called the meeting to order at 8:08 am. Chair Renier welcomed the leadership group from Lake Superior College. President Nelson explained that the group is participating in a year-long professional development leadership program at the college.

1. MINUTES OF FEBRUARY 12, 2009; CAPITAL BUDGET HEARING NOTES OF FEBRUARY 25, 2009; AND WORK GROUP ON TECHNOLOGY MINUTES OF DECEMBER 11, 2008

The minutes of the committee's February 12, 2009 meeting were approved as presented. The Work Group on Technology minutes from December 11, 2008 and notes from the February 25, 2009 public hearing on the FY2010-2015 Capital Budget were presented for the committee's information.

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

Vice Chancellor King reported that she and Tim Stoddard, Associate Vice Chancellor for Financial Reporting have nearly completed regional meetings with the 23 non-audited colleges. The presidents and CFOs presented the college's Financial Trends and Highlights which include full accrual financial statements and related ratios and trends. The meetings were hosted regionally around the state and brought groups of neighboring presidents together for financial planning based discussions. The discussions were excellent and will be continued in other forums.

The ISRS RDB to Oracle migration was completed over the weekend of March 7-8. Overall, the conversion was a huge success and went as expected. The Information Technology staff is working through various post conversion tasks and campuses should experience rapid availability of new tools. Vice Chancellor King acknowledged the amount of work that went into the conversion.

The public hearing on February 25, 2009 provided details on several capital projects in the pipeline from 2008 and one college whose project is not on the 2010 proposed list. The preliminary capital budget for 2010 is currently \$403 million which includes the five vetoed projects from 2008. Discussion will continue at a special April 15th meeting of the committee. The legislature is currently considering bills for HEAPR projects and the five capital projects vetoed in 2008.

Good bids continue to be received for our smaller HEAPR projects, which generally come from contractors close to the respective college/university. This enables the 2008 HEAPR funding to be "stretched" and to either add projects or advance design for the potential 2009 and 2010 project lists. Also, there's been a flurry of concern raised by the insurance industry on "bonding requirements" for our larger projects, specifically our desire for an extended warranty for window installations. We are working with the sureties and the Association of General Contractors to resolve the issue, and decided to delay the bid for the new Winona State Residence Hall project (\$23 million) to ensure adequate competition. The higher requirements are a result of the change in the insurance marketplace in the last six months.

3. IDENTITY THEFT PREVENTION PROGRAM (*Action*)

Vice Chancellor King reported that the Federal Trade Commission issued regulations in November 2007 to mitigate incidents of identity theft. Requirements call for enforcement of such a program beginning on May 1, 2009.

The FTC regulatory provisions are called the "Red Flags Regulations." Unlike many of the other laws and regulations that address data security and data privacy and at least in part look to protect against identity theft, the Red Flags Regulations seek to prevent one who has stolen an identity or is in the process of stealing an identity from being successful in committing a fraudulent act. The program and efforts under the program are intended to provide additional efforts aimed at detection and prevention of fraudulent activity directed against the System and its students and employees.

It will be necessary for the Office of the Chancellor and each college and university to develop and implement customized written procedures as appropriate to address local operations having a reasonable risk of identity theft fraud.

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

RECOMMENDED MOTION:

The Board of Trustees approves the Identity Theft Prevention Program and delegates to the Vice Chancellor-Chief Financial Officer authority to maintain and update the Program as may be necessary to address regulatory changes, system operational changes and make other reasonable changes enhancing Program clarity and effectiveness consistent with regulatory requirements.

Note: The committee discussed amending the motion to have the Chancellor report to the Board of Trustees any substantive changes in the program. The revised motion shown below was approved at the full Board of Trustees meeting on March 18, 2009.

BOARD APPROVED MOTION:

The Board of Trustees approves the Identity Theft Prevention Program and delegates to the Chancellor authority to maintain and update the Program as may be necessary to address regulatory changes, system operational changes and make other reasonable changes enhancing Program clarity and effectiveness consistent with regulatory requirements. The Chancellor shall timely report to the Board of Trustees any substantive changes in the program

4. REVENUE FUND BOND SALE (*First Reading*)

Associate Vice Chancellor Allan Johnson provided an update on the proposed Revenue Fund Bond Sale. Capital assets within the Minnesota State Colleges and Universities system can be identified as either academic or auxiliary. Auxiliary operations typically include residence halls, dining facilities, student unions, bookstores, parking facilities and similar operations. Unlike academic facilities, Revenue Fund auxiliary facilities must generate their own construction, maintenance, operations and repair funding. Their operating budgets must be kept separate and distinct from General Fund operating budgets. Operating budget revenue for the 67 buildings in the Revenue Fund comes from room and board or student union fees; user fees for parking or fitness centers, and non-fee commissions or conference rentals.

Debt obligations of the Revenue Fund, unlike capital appropriations for academic facilities, are not debt obligations of the State of Minnesota and are backed solely by the revenue generated from them. Authority for participation in the Revenue Fund, which had been restricted to the universities since its creation, was expanded to the colleges through legislation in 2008. The debt authority for Minnesota State Colleges and Universities was also raised to \$200 million in 2008. There is a legislative proposal to raise the debt authority to \$300 million in the current session.

The 2009 bond sale includes projects from four institutions totaling approximately \$35 million and includes \$1 million in planning funds for architectural design to allow development of accurate scopes, budgets and schedules in advance of requesting approval for future projects in 2010 and 2011.

Century College's parking lot renovations are estimated at \$4,075,000. Over 20 acres of parking lot will be renovated to increase parking spots, improve circulation and safety, provide proper lighting and treat storm water runoff to current regulations. Project Completion is scheduled for August 2009

Minneapolis Community & Technical College's student center renovation and new construction are estimated at \$10,080,000. This project will expand and renovate all student life areas to meet the needs of a larger and more diverse student population. Space will be provided for: Student Lounges, Activity Areas, Fitness Center, Clinic Space, Meeting Rooms, Student Clubs & Organization Offices, Multi-

Purpose/Presentation/Performance Space and Coffee Shop/ Convenience Store and Student Life Staff Offices. Occupancy is scheduled for February 2011.

Minnesota State University, Mankato's recreational field renovations are estimated at \$7,300,000. Recreational athletic fields will be upgraded and renovated. Sports using these fields include softball, soccer, flag football, rugby, lacrosse, baseball, and many more. Completion is scheduled for summer 2011

Normandale Community College's student center renovation and addition is estimated at \$14,424,000 (\$2,000,000 will be contributed from internal operations). Kopp Student Center was constructed in 1975 and has undergone only minor modifications and now needs significant improvements to accommodate a growing student headcount. This project will provide expanded or new space for: Student Lounges, Activity Areas, Meeting Rooms, Student Clubs & Organization Offices, Student Life Staff Offices, College Store and other Retail, Cafeteria/Dining and Coffee Shop, Multipurpose Banquet Space, Service Learning Programs, New Secondary Loading Dock, and a New Main Entry from the North & West. Occupancy is scheduled for January 2011.

Mr. Johnson noted that student consultation on the projects is complete for the four projects and letters of support from the student senates from those locations are included in the materials.

Trustee Englund questioned whether the student fees for the projects would ever decrease or be eliminated. Mr. Johnson noted that is difficult to answer as other improvements could take place in future years. If nothing else changed the fee would cover the debt service and expenses through the bond period. After the bonds are repaid the fees must still cover the operating expenses.

Trustee Englund also questioned whether students taking courses online would be charged a student union facility fee. Sieglinde Bier, Director of Facilities Business Support, reported that each university determines how it charges the student union facility fee. Whether the university assesses online students is determined locally. Some universities assess a fee based on credits and cap the fee at 8 or 12 credits. The revenue fund operating fees are part of the tuition and fee recommendation that the Board must approve annually. Student consultation is required for the tuition and fee recommendation.

Chancellor McCormick expressed his support for the Revenue Bond sale but reported that the state leadership of the 2 year student association were very concerned about adding to student debt and cost of attendance. The Chancellor wanted to make sure that their concerns were heard by the committee.

Vice Chancellor King commented that a higher standard for local student support has been placed on revenue fund projects because the project fees are more directly connected to a student's cost of attendance at an individual institution. All four of the local student associations were very involved in these projects and were supportive of them. Vice Chancellor King expressed that she would think pretty carefully before

bringing forward a revenue bond sale recommendation that didn't have local student support. The additional fees are only applied at the institution that has the project and therefore is more directly connected to the student's cost of attendance. Although students do not have to be in agreement with the additional fee they can't opt out of the fee so a higher standard of consultation is sought for these projects.

Trustees Thiss and Van Houten both had questions regarding the bond market and interest rates. Vice Chancellor King noted that the market is being monitored and a judgement will be made near the time of the bond sale whether it is a good time to go forward. The bond rating is attached to the series of bonds and the credit worthiness of the system is periodically reviewed. Revenue fund bonds usually are for 20 years. Staff will provide a term sheet with the sale details.

Presentations will be made to Moody's Investors Services and Standard and Poors in April. The Board of Trustees will be asked to approve the sale at their May meeting. The bond sale would then occur in June with funds available immediately for the projects.

5. FY 2010-2011 BUDGET PLANNING (*Information*)

Vice Chancellor King noted that the FY2010-2011 budget report is being provided to the Committee to give them information on the impact of the governor's unallotment of \$20 million, the state's most recent economic forecast, the federal stimulus package, the enrollment outlook, and reserve levels. Direction is also being sought from the Committee regarding the allocation of available resources to strategic priorities.

Ms. King reported that the state and local governments in Minnesota are eligible for an estimated \$4.6 billion in aid from the American Recovery and Reinvestment Act of 2009. Much of these funds will be dedicated to specific purposes and projects such as the Medicaid match (\$1.8 billion); state stabilization (\$0.8 billion) and dedicated funding for highways, bridges, drinking water (\$2 billion).

There is significant opportunity for the system's colleges and universities to access the federal stimulus program. There are three principle areas of benefit to our current and future students. The Workforce Investment Act will aid dislocated worker programs and job training opportunities (\$40-50 million in Minnesota) and has competitive grants (\$750 million nationally) for "worker training and place in high growth and emerging industry sectors". The expanded Pell grant will increase by \$619 per year and the HOPE tax credit changes will increase the maximum credit from \$1800 to \$2500 in addition to widening the income ranges of those eligible.

It is the system's opinion that the state fiscal stabilization fund portion of the Act, Section 14002 subd(a), translates into an estimated \$180 million of support for the Minnesota State Colleges and Universities. Provisions in the Act direct funding for "education and general expenditures and in such a way to mitigate...tuition and fee increases" OR "for modernization, renovation or repair." The challenge of one-time

funds is considerable. It is presently unknown how the Governor or the legislature will apply the federal funds to the general fund recommendations for the system.

It would be the Chancellor's preference to use the funds first for tuition relief, achieving a zero percent tuition increase impact to a student in both fiscal years 2010 and 2011. Modeling an estimated \$180 million of federal stimulus funds over the 2010-2011 biennium, tuition relief at a 4 percent increase per year would consume approximately \$79 million, leaving \$101 million for other actions. This pledge is a challenge to execute because it means \$180 million of one-time spending while the base budget is reduced by \$40 million. The system's ability to impact tuition is directly related to the level of funds received through the stimulus package. The Chancellor would consider the tuition relief approach only if the system receives sufficient funding.

The federal stimulus program provides two years of funding and blinks off unless extended by the administration. Campus budget planning is tremendously uncertain at this time. Vice Chancellor King reported that the state's economic forecast for the next biennium is pessimistic so it is important to find solutions now to avoid greater budget difficulties in FY2012. President Wynia commented that because the federal stimulus funds are one time it is clear to presidents that they must build their budgets looking forward to FY2012-2013.

Vice Chancellor King also engaged the committee in a discussion about the Board's strategic priorities and goals. The Board and Chancellor identified \$28.5 million (\$4.4 million one-time) of financial resources to move forward the system's priorities. In addition, the legislature appropriated \$2.4 million toward specials. All but \$1 million of these allocations impact college budgets.

Trustee McElroy questioned if there are any priorities that one-time funds can be used for in FY2010-2011 that will result in cost savings for FY2012-2013. Trustee Hightower urged that the committee must make good decisions and use due diligence in allocating funds which may need to be less than in the current biennium. Trustee Van Houten suggested directing the campuses to emphasize "core" strategies and the system leadership to provide direction on duplicate programs.

Vice Chancellor King ended the presentation by noting she will communicate with trustees between now and May on their priorities. More discussion on the budget will occur at the May meeting with a public hearing and first reading to follow in June.

6. UPDATE ON WINONA STATE UNIVERSITY LAPTOP PROGRAM
(Information)

Vice Chancellor King encouraged committee members to read the report prepared by Winona State University to address concerns raised in March 2008 when the Board approved a 5-year lease financing contract with Merrimak Capital totaling \$28.4 million to provide lease financing to participants in Winona State University's Laptop Program.

The report offers a comprehensive review of the *Digital Life and Learning Program*. Over the past year, university administration, faculty and students have worked collectively to enhance and improve the laptop program.

The meeting adjourned at 10:00 am.

Respectfully submitted,
Nancy Lamden, Recorder