

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE  
MEETING MINUTES  
January 20, 2009**

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

***Finance, Facilities and Technology Committee Members Absent:*** None

***Other Board Members Present:*** Cheryl Dickson, Jacob Englund, David Olson, Louise Sundin and Terri Thomas

***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 January 20, 2009, 4<sup>th</sup> Floor, Board Room, 30 East 7<sup>th</sup> Street in St. Paul. Chair Renier called the meeting to order at 1:08 pm.

**1. MINUTES OF NOVEMBER 18 AND 19, 2008**

Trustee Grendahl moved to approve the Finance, Facilities and Technology Committee meeting minutes of November 18 and 19, 2008 as presented. Trustee Thiss seconded the motion which carried with no dissent.

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

Vice Chancellor King reported that she and Senior Vice Chancellor Linda Baer have initiated a series of calls with new presidents to discuss leadership, communication, academic, and budget planning. The calls have been very fruitful and will continue into the summer.

The Advancement Committee will report on recent Senate budget testimony which was well received and on a report on Minnesota State Colleges and Universities' effort to identify barriers as requested by the Board in its motion approving the FY2010-2011 budget request.

The capital project review process began last week with over 60 representatives from colleges and universities participating in an all day review and scoring process. The Board will get its first look at the results in early February.

Vice Chancellor King reported the instructional management system (D2L) had essentially 100% availability during 2008. This would not have been possible without major investments in hardware, software, and personnel. A major software upgrade was completed in late spring without a hitch.

Database conversion testing is continuing in preparation for the planned conversion from rdb to Oracle in mid-February. Testing will continue up to the scheduled conversion. If any significant issues are uncovered, or if any unforeseen complications arise in the next several weeks, the conversion will be delayed until after the spring semester in order to avoid any potential for significant operational disruption.

Beginning December 1, a help line number was published on the student web application pages. Staffing personnel are now taking several hundred direct student calls each week. This substantially diminishes campus work load and also provides an early warning mechanism about potential outages or areas where the web applications are potentially confusing.

In partnership with the Center for Strategic Information Technology and Security, a program has been designed and contracts are being finalized with MnCSU faculty and staff to develop the first 10 mini-courses covering various information security related areas identified in campus security assessments conducted last year. The self paced mini-courses are 2-4 hours in length and will be delivered on-line. The courses should be available for MnSCU Campus technology staff by the end of April. These courses have the potential for use by state agencies and others, and are being designed with that potential market in mind.

### **3. MINNESOTA STATE UNIVERSITY, MANKATO CONSTRUCTION CONTRACT** (*Action*)

Associate Vice Chancellor Allan Johnson, on behalf of Minnesota State University, Mankato, requested approval of a proposed construction project to renovate portions of the McElroy Residence Community, "H" and "I" Wings. Board approval is necessary because the project includes a construction contract valued over \$2 million. This is consistent with the University's long term plan for renovation of existing campus housing.

The project will generally include improvements to lounge windows, flooring, walls, ceilings, doors and hardware, plumbing, heating, ventilation, air conditioning, lighting, telecommunications and card access systems. Built-in closets and furniture replacement is also included in the project.

Design and construction of the project will be funded by the University using \$5,252,000 of Revenue Fund operating reserves, and repair and replacement funds which have been specifically planned and earmarked for this project. The construction contract is estimated at \$3,800,000. State universities have a choice of financing this type of capital improvement, either through Revenue Fund operating reserves accumulated over time or the use of revenue bond proceeds with resultant debt. Expenditure of these funds will not impact the University's ability to maintain required reserve levels. No state appropriation or tuition funds will be used for the project.

The proposed schedule for design, construction, and related contract awards is as follows: design – winter 2009; begin construction - May 2009; and substantial completion - July 2010.

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

**RECOMMENDED MOTION:**

The Board of Trustees approves the construction contract to renovate McElroy Residence Community, “H” & “I” Wings on the campus of Minnesota State University, Mankato as described herein.

**4. MINNESOTA STATE COLLEGE – SOUTHEAST TECHNICAL PROPERTY DISPOSITION** (*Action*)

Associate Vice Chancellor Allan Johnson asked the Board to declare Minnesota State College – Southeast Technical’s Aviation Training Center property located in Winona, Minnesota as “surplus” and authorize the building for sale.

The Aviation Training Center facility is located on airport land leased from the City of Winona on a 100-year lease that began November 9, 1990. The 71,650 square foot facility opened in 1992. Ground rent is \$1.00 per year. In 2006, when the college decided to close the Aviation Maintenance program, the college backfilled the facility with programs in drafting, industrial maintenance, nursing and carpentry, but it was determined that there were cost savings to selling the building and consolidating at the main campus. Proceeds from the sale will be used to consolidate, remodel or construct space at the main campus in Winona, and upgrade the main campus facilities to better address allied health careers.

There are two major impediments to the sale. First, the ground lease requires the college to continue to use the facility for public vocational education or the lease terminates. Second, any sale would trigger the repayment of the original state bond investment pursuant to Minnesota Statutes 16A.695, Subdivision 3, which would obligate the college to reimburse the state up to its \$4.67 million appropriation from any proceeds generated from the sale.

To address the first issue, the college has initiated discussions with the City of Winona and the Port Authority, which has jurisdictional control over the airport. The city is supportive of the college’s proposal to sell the building, and have expressed an interest in acquiring the facility via the Port Authority. It is expected that the Port Authority would simultaneously sell the facility to an area business. If the city (via the Port Authority) were to purchase the facility, the lease issue would be satisfactorily addressed, as the city would agree to amend the lease to accommodate the new buyer. Any purchase would be based on the appraised value.

To address the second issue, the Office of the Chancellor will test the waters with the 2009 legislature and either propose a statutory change to exempt MnSCU from the full repayment obligation of the original bond investment or, as an alternative, pursue

a specific session law that would specifically exempt the college from the bond repayment provisions of the statute, provided that the campus uses the sale proceeds for a capital project.

The committee discussed the possibility of the college keeping the property and entering into a lease for the portion of the building they are not using. Vice Chancellor King and Trustee McElroy noted that statutes prohibit the leasing of state property to “for profit” entities. Mr. Johnson also advised the committee that if either of the proposed legislative actions fails the Board could reverse their decision to declare the property surplus.

Trustee McElroy moved that the motion be approved as presented on page 14. Trustee Benson suggested amending the motion so approval of the sale of the property would be returned to the Finance, Facilities and Technology Committee for further review before approval. Trustee McElroy withdrew his motion. Trustee Benson then moved that the Finance, Facilities, and Technology Committee recommend adoption of the following revised motion. Trustee Grendahl seconded the motion which carried with no dissent.

**REVISED RECOMMENDED MOTION:**

The Board of Trustees approves the designation as surplus and authorizes for sale the Aviation Training Facility operated by Minnesota State College – Southeast Technical at the Winona Municipal Airport, subject to final Board review and approval, ~~subject to legislative exemption of the repayment provisions under Minnesota Statutes §16A.695, subdivision 3, and directs the Chancellor or his designee to execute all necessary documents to complete the conveyance in compliance with such laws.~~

**5. METROPOLITAN STATE UNIVERSITY CONTRACT APPROVAL** (*Action*)

Metropolitan State University President Sue Hammersmith and Interim Vice President for Administration and Finance Murtuzza Siddiqui requested approval of a professional/technical services contract estimated to total \$4.5M. President Hammersmith apologized to the Board and acknowledged that the University was not in compliance with Board policies and the related system procedures in a contractual relationship with Bryant Rolstad Consultants, LLC to educate Wound, Ostomy and Continence (WOC) nursing students in an online format. Due to a high volume of staff turnover in the University’s Financial Management Office, it has been a challenge to maintain continuity and retain adequate knowledge. The University has already made significant improvements pertaining to procurement and is committed to following all Board policies.

The Office of the Legislative Auditor conducted a compliance audit of professional/technical contracts of various state agencies, including selected contracts at certain MnSCU institutions. As part of this audit, the auditors raised three issues regarding a contract between Metropolitan State University and with Bryant Rolstad, Consultants, LLC:

- No RFP – the contract was not competitively bid and was not identified as a sole source contract;
- the contract duration exceeded five years;
- Metropolitan State University exceeded its signature authority of \$50,000.

Vice Chancellor King responded to trustees' concerns that there is no question the program has been very successful from an educational perspective. She reassured the committee that as the University prepares an RFP for a new contract (the current contract is in effect through December 31, 2010) appropriate procedures will be followed and necessary approvals obtained.

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

**RECOMMENDED MOTION:**

The Board of Trustees approves the current contract between Metropolitan State University and Bryant Rolstad Consultants, LLC for estimated total expenditures not to exceed \$4,500,000.

**6. FY 2010-2015 CAPITAL BUDGET UPDATE** (*Information*)

Associate Vice Chancellor Allan Johnson updated the committee on the capital budget process currently underway in preparation for the 2010 legislative session. Mr. Johnson noted that discussions at the November Board meeting indicated that staff could develop an FY2010 capital budget request in the range of \$380 to \$410 million, but with great care to not oversubscribe 2012 with a large number of phased projects, or "tails."

Twenty four new projects were scored in early January and twenty three of the 2008 vetoed and phased projects will carry forward. The Board indicated that the capital budget hearing, now planned for February 25, 2009, should focus on those colleges and universities that have concern over their project's placement or non-placement on the draft capital projects priority list to be released in early February 2009.

Mr. Johnson commented on the recent talk about a new "economic stimulus" package, both at the federal and state level, for execution in 2009. Two major national higher education associations have called for capital project nominations that would be ready to bid in 30 days, to be provided to the President-elect's transition team. Likewise, the Minnesota House and Senate have indicated an interest in crafting a bonding bill for the 2009 legislative session containing projects that can be awarded quickly. In all cases, Minnesota State Colleges and Universities has recommended the five capital projects that were approved by the Board and legislature but subsequently vetoed by the governor in the 2008 session totaling \$40.3 million. Secondly, a HEAPR package in the range of \$50 million could be quickly executed within 12 months of funding. Finally, there are four projects that were partially funded in 2008 which could be bid within three to nine months of funding in

2009 totaling \$26.8 million. A handout describing potential capital projects for 2009 totaling \$117.11M was provided.

Mr. Johnson reviewed the Facilities Renewal and Reinvestment Model (FRRM) that is used as a planning tool for capital reinvestment at existing facilities. The program quantifies the current physical condition of a campus and forecasts future renewal requirements. The program is web based and easy for campuses to maintain. Mr. Rick Biedenweg, President of Pacific Partners Consulting Group, noted that the program uses life cycle modeling to estimate the remaining life of building systems and renewal costs so backlog can be quantified. The Facilities Condition Index (FCI) is the metric based on the backlog versus the current plant value. In 2008 the system had a \$685M backlog. The 2009 backlog is estimated to be \$700M. The goal is to reduce the backlog by 50% (\$35M per year) over 10 years to “catch up”. College and university operating funds are a vital part of facilities renewal and backlog reduction. One dollar per square foot per year should be the minimum campus operating budget target.

#### **7. FY 2009 UNALLOTMENT ACTION** (*Action*)

Associate Vice Chancellor Judy Borgen informed the Board that the Governor’s unallotment of \$20 million represents 2.9 percent of the Minnesota State Colleges and Universities state appropriation of \$688.3 million for this year. The following three principles were recommended to guide the system’s academic and financial planning work in the months ahead:

- Decisions will be made in a way that best serves students;
- Decisions will strive to take into account the system’s mission to serve the economic development needs of the state and its communities; and
- Planning will take a multi-year approach, positioning the system for long-term financial viability

Vice Chancellor King, after consultation with the Chancellor, Chair of the Board of Trustees and the Chair and several members of the Finance, Facilities and Technology Committee of the Board of Trustees as well as consultation with the Finance and Administration Committee of the Leadership Council, recommends the following proposed distribution:

- Colleges and universities: \$16.27 million
- Systemwide debt service savings: \$2.8 million
- Office of the Chancellor/Shared Services: \$.93 million

In terms of total tuition and appropriation revenue, the unallotment represents a 1.5 percent reduction to the Office of the Chancellor/Shared Services compared to an overall average of 1.4 percent reduction to colleges and universities. The Chancellor has informed the colleges and university presidents that there should be very limited use of reserves to absorb the \$20 million reduction. As the system approaches the 2010-2011 biennium and the state is faced with a projected shortfall of \$4.8 billion, reserves will be a more critical part of budget planning and transition.

Trustee Van Houten suggested that more specific guidelines be given to the colleges and universities on how to make the budget cuts. Chancellor McCormick stated he is holding presidents accountable for staying focused on the strategic plan. President Wynia commented that presidents have a clear understanding of the Board's expectations and are appreciative of being given the discretion individually to solve this budget problem. Trustee Hightower agreed with giving the presidents flexibility based on the three given principles. Chair Olson also concurred with this opinion.

Chancellor McCormick noted that he and Vice Chancellor King and Senior Vice Chancellor Linda Baer are working with the new presidents to make sure they understand the problems that are involved. If another unallotment comes in March after the February forecast is released it becomes much more difficult to handle.

Trustee Hightower moved that the Finance, Facilities, and Technology Committee recommend adoption of the following motion. Trustee Benson seconded the motion which carried with Trustee Van Houten dissenting.

**RECOMMENDED MOTION:**

The Board of Trustees approves the recommended distribution methodology for the \$20 million unallotment during the current fiscal year.

**8. FY 2010-2011 BUDGET PLANNING UPDATE** (*Information*)

Vice Chancellor King acknowledged the daunting task ahead for the legislature to balance the budget due to the projected state shortfall. The system is approaching this challenge by holding three principles central to decision-making in a reduction environment as stated above in Item #7.

The Board will be updated on the budget process at their March, May, and June (first reading) meetings. The FY2010 operating budget and tuition rates are scheduled to be approved at the July Board meeting. The committee discussed calling a special meeting in February after the Governor releases his budget recommendations in late January. On behalf of the committee Vice Chancellor King has been conferring with an advisory group consisting of Trustees Renier, Hightower, and Thiss on issues as they arise.

The Vice Chancellor asked for direction from members on the system priorities and numerous initiatives funded with discretionary state resources such as serving the underrepresented, enterprise technology, centers for excellence, tuition subsidies, system wide audit program and contract/non-credit activity. Trustees acknowledged that everything is on the table and must be re-evaluated depending on the outcome of the legislative session. Tuition will be part of the solution. Other issues that need further discussion are the Centers of Excellence, use of reserves, employee contracts, and funding for under-represented students. Discussions will take place with the advisory group and at future committee meetings.

**9. FY 2008 and FY2007 AUDITED FINANCIAL STATEMENTS** (*Information*)

Vice Chancellor King noted this item is for members' information only. The FY2008 Financial Statements were presented to the Audit Committee at their November meeting. All audited financial reports are available online at:

<http://www.finance.mnscu.edu/accounting/financialstatements/yearendstatements/index.html>

The meeting adjourned at 3:45 pm.

Respectfully submitted,  
Nancy Lamden, Recorder