The Minnesota State Colleges and Universities Finance/Facilities Policy Committee held its meeting on June 17, 2009, 4th Floor, Board Room, 30 East 7th Street in St. Paul. Chair Renier called the meeting to order at 10:35 am.

1. MINUTES OF May 19, 2009
   The minutes were approved as submitted.

2. FINANCE, FACILITIES AND TECHNOLOGY UPDATE (Information)
   Vice Chancellor King reported that Moodys and S&P renewed the system’s ratings which is an indication that the system has great financial stability in spite of troubled times. The June 9, 2009 Revenue fund bond sale of $35.8M sold with good competition and interest rates of 4.08% for $31.8M of tax exempt bonds and 4.5089% for $4M of taxable bonds. The interest rate is lower than had been estimated, which means a savings of almost $500,000 per year in debt service payments for the four campuses.

   Ms. King reported that every college and university received project funds from the $40M the legislature allocated to Minnesota State Colleges and Universities for HEAPR projects. The target encumbrance date is 12/31/09 and presidents are confident that this can be done. A list of the projects will be sent to the Trustees per Trustee Hightower’s request.

   The Office of the Legislative Auditor program evaluation of the Office of the Chancellor has begun. Evaluators have met with the Chancellor and staff and have begun campus and OOC contacts. The chair of the Audit Committee has been asked by the Chair of the Board to serve as liaison and Board members can expect to have an opportunity to communicate with the evaluators.

   The Century College science/library building, the MCTC Health Sciences Building, and Trafton Science Center at MSU Mankato have been selected by the Finance and
Commerce staff and a panel of experts to be highlighted in a special issue highlighting the top 25 completed construction projects in Minnesota.

3. **WINONA STATE UNIVERSITY CONSTRUCTION CONTRACT APPROVAL**  
   *(Action)*

Associate Vice Chancellor Allan Johnson and Winona State University Vice President of Finance and Administrative Services Kurt Lohide presented a request for approval of a proposed construction contract for two grade separated underpasses to replace two at-grade pedestrian crossings of the Canadian Pacific Railroad at Winona and Johnson Streets between Mark and Sarnia Streets in the City of Winona, Minnesota. The Canadian Pacific Railroad tracks bisect the Winona State University campus so that students, faculty and staff must use the at-grade crossings for access to university residence halls, sports fields, recreational facilities, parking lots and facilities services. The construction of the two grade separated underpasses will largely eliminate the pedestrian safety hazard, particularly for Winona State University students.

Winona State University is the lead agency for the project working in cooperation with the City of Winona, the Canadian Pacific Railroad and the Minnesota Department of Transportation (MnDOT). Ownership and maintenance/inspection of the ramps, steps, sidewalks and box culverts will be the responsibility of Winona State University. Vice President Lohide clarified for Trustee McElroy that Winona State University would assume risk management for the pedestrian crossings. He noted that the underpasses will be fully lit at all times and there will be emergency call buttons available. The adjacent railroad tracks will be fenced to prevent access.

Eighty percent of the estimated $40M project will come from federal earmarked funds. Winona State University will provide matching funds of $800,000 or 20% of the project budget. These funds will be surplused from the University’s Revenue Fund residence hall account. The WSU Residence Hall Reserve Fund balance is $5.4 million. Removing $800,000 from this reserve will still leave the fund above the system recommended 25% of total operating revenue. Vice President Lohide confirmed that removing this amount will not result in an increase in deferred maintenance or cause a delay in WSU residence hall repair and replacement (R&R) work.

Mr. Johnson responded to Trustee Hightower’s question about the threshold for using revenue fund resources by noting that this is the first time Revenue Funds have been surplused. He noted that the residence hall program at the University was deemed robust enough to cover all repair/renewal and debt service payments. Vice Chancellor King noted that the Revenue Fund is not designed to be profit generating and it is not expected that this financing will be used often but the University does have legal authority to surplus the funds. Vice Chancellor King responded to Trustee Thiss’ question about the bond rating for the Revenue Fund by noting that the rating is based not on an individual campus but rather on a system level measurement that should not be affected.
Trustee Benson 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 for the tunnel approaches to two grade separated underpasses for the Canadian Pacific Railroad, City of Winona and Winona State University as described herein.

4. **FY 2010-2015 CAPITAL BUDGET REQUEST** (Second Reading)
Associate Vice Chancellor Allan Johnson reviewed the FY2010-2015 Capital Budget request which had its first reading at the Committee’s May meeting.

There are four major components of the $403.6M capital budget proposal. The final number is likely to be slightly lower because of an anticipated lower inflation adjustment

- **Higher Education Asset Preservation and Replacement (HEAPR), $110 million** – These projects are positioned as first priority to improve conditions of existing facilities and reduce the level of deferred maintenance and repair.
- **2008 Vetoed Projects, $46.76 million** – the vetoed projects from 2008 were once again vetoed by the governor in 2009. Accordingly, they are next as priorities 2 through 7
- **Phased projects partially funded in 2008, $197 million** – These are carried forward as priorities 8 through 23.
- **New projects, $49.8 million** – These projects and property acquisitions make up priorities 24 through 31.

Agency requests are due to MMB by the end of June for a coordinated preliminary submittal to the legislature in July. The Legislature will use this preliminary information as they make their visits around the state this coming summer and fall to become familiar with proposed capital requests. Chancellor McCormick remarked on the great preparation that campuses make for the legislative visits. He noted that he tries to see and be knowledgeable about every project when speaking with legislators. Vice Chancellor King thanked the committee and the presidents and their staffs for the great job they did preparing for the budget request.

Trustee Van Houten felt that including eleven projects for open computer labs to improve student access for online courses was counter-intuitive and inquired as to why computer labs were needed on campuses for online courses. President Wynia, North Hennepin Community College, responded that computer labs at her college are in constant use because many low income students do not have internet access available off campus. Approximately 75% of all Minnesota State College and University students enrolled in online courses also take classroom based courses and use campus computer labs to access their online courses during gaps in their schedules.

Mr. Johnson noted that the 2009 legislature also approved funds for other related capital project initiatives including a business incubator at Pine Technical College (as
part of the DEED portion of the bonding bill); extension of a new steam pipeline to Rochester Community and Technical College in Olmsted County; and a grant for $1M from the 21st Century Minerals Fund to support expanding baccalaureate and graduate programs on the Range. The City of Mankato project to construct the Southern Minnesota Women’s Hockey Exposition Center for use by MSU, Mankato was vetoed.

Chair Renier thanked Vice Chancellor King, Associate Vice Chancellor Johnson and their staff for their work on the request.

Trustee Hightower 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 as presented in Attachment A, specifically the projects and priorities for FY2010-11. The Chancellor is authorized to make cost and related adjustments to the budget as required, and to forward the Capital Budget to the Governor for consideration in the FY2010 – 2015 state capital budget. The Chancellor shall advise the Board of any subsequent changes in the Capital Budget prior to the 2010 legislative session.

5. **FACILITIES CLEANING ASSESSMENT CONTRACT APPROVAL** *(Action)*
Vice Chancellor King requested approval of a proposed contract with Hillyard Inc. for the purchase of facilities maintenance equipment and supplies for three years with options to extend up to a total of five years at prices below the current State of Minnesota contract.

During the past 18 months the Minnesota State Colleges and Universities Collaborative Sourcing Team (CST) has solicited input system-wide from procurement departments regarding opportunities to reduce costs, achieve best value and sustainability, and effectively leverage the system’s buying power. The costs to maintain facilities were identified as a major expense at every location. Research and discussion among various schools, in particular with facilities management, revealed that existing contracts did not offer the flexibility or the support that many campuses sought. In a pilot project between Minneapolis Community and Technical College and Hillyard, an audit of existing facility maintenance practices (using Hillyard’s Cleaning Cost Analysis Plan or CCAP) identified inefficiencies of approximately $120,000 per year.

The RFP was published in the State Register and two responses were received. After careful consideration of both proposals, Hillyard Inc. was chosen as the best value for Minnesota State Colleges and Universities. Board Chair David Olson suggested that perhaps a regional RFP might garner more responses in the future.

The proposed system contract will be for three years with options to extend up to a total of five years. The agreement will include access to Hillyard’s Cleaning Cost Analysis Program (CCAP) at no charge for participating colleges and universities that
choose to purchase the majority of their cleaning supplies under this contract. Vice Chancellor King noted that campuses are not mandated to participate in the contract or obliged to purchase supplies from Hillyard’s Inc. Total value of the contract will depend upon the level of participation by the various colleges and universities but it is projected to exceed $2 million dollars.

Trustee Benson 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 entering into a contract with Hillyard Inc. for facilities maintenance equipment and supplies for three years with options to extend up to a total of five years not to exceed $3,000,000 as described herein. The Board directs the Chancellor or his designee to execute all necessary documents.

6. **COLLABORATIVE SOURCING INITIATIVE (Information)**
Vice Chancellor King reported that this item is being presented to the committee to inform them of the efforts that are going on system-wide to leverage the system’s buying power. In addition to the facilities cleaning assessment contract, the Collaborative Sourcing Team has followed their mission on a broad range of purchasing programs that have resulted in significant hard dollar cost savings and have laid the groundwork for recurring savings of several million dollars per year.

A contract with Office Max Inc. allows campuses to purchase office supplies at prices which are less than the current State of Minnesota Department of Administration program. The Office Max, Inc. contract includes rebates ranging from a minimum of 5% up to 8.5%. In addition, this contract allowed the team to negotiate an additional incentive of 2.5% per year (based on volume of at least $3,000,000).

If embraced by all colleges and universities in the system, this program has the potential to produce savings in excess of $1 million dollars annually. Several trustees expressed excitement about the work of the CST and the opportunity presented by the Office Max relationship. Colleges and universities are encouraged to participate to their advantage.

The meeting adjourned at 11:30 am.

Respectfully submitted,
Nancy Lamden, Recorder