

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
FINANCE, FACILITIES AND TECHNOLOGY COMMITTEE  
MEETING MINUTES  
May 19, 2009**

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

*Finance, Facilities and Technology Committee Members Absent: Dan McElroy*

*Other Board Members Present: Cheryl Dickson, Jacob Englund, David Paskach and Lousie Sundin*

*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 May 19, 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 8:08 am. Chair Renier welcomed those that were attending as well as those who were listening to the meeting via live audio streaming from a link on the Board of Trustees web site. This is the first time the meeting has been audio broadcast live.

**1. MINUTES OF MARCH 17, 2009**

Trustee Hightower moved to approve the minutes of the committee's March 17, 2009 meeting as presented. Trustee Grendahl seconded the motion which passed with no dissent.

**2. MINUTES OF APRIL 15, 2009**

Trustee Grendahl moved to approve the minutes of the committee's April 15, 2009 meeting as presented. Trustee Van Houten seconded the motion which passed with no dissent.

**3. WORK GROUP ON TECHNOLOGY MINUTES OF APRIL 15, 2009**

Trustee Grendahl moved to approve the minutes of the Work Group on Technology meeting of April 15, 2009 as presented. Trustee Van Houten seconded the motion which passed with no dissent. The Work Group has completed their work and is no longer active.

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

Vice Chancellor King reported on the status of the H1N1 flu. The state alert system has returned to normal seasonal flu mode. The system received high marks from the state for our use of technology and communications. The campuses did a great job during the outbreak.

Vice Chancellor King reported that strong support for student-staff collaboration (Students First) by the Enterprise Investment Committee (EIC). The group will help the EIC to consider the students' prospective when making decisions.

Vice Chancellor King noted that recent legislative actions would be discussed with the capital budget agenda item and operating budget study session, as well as, in the Advancement Committee. She noted that budget planning reductions for the Office of the Chancellor were underway. Presidents have been consulted in the process. The Office of the Chancellor budget will be included in the June operating budget discussion.

**5. DESIRE2LEARN CONTRACT APPROVAL (Action)**

Al Essa, Associate Vice Chancellor – Deputy CIO, requested approval to exercise the renewal option for four additional one year terms with Desire2Learn until August 31, 2012. The D2L software is the core enterprise technology used in support of all credit and non-credit courses, including online. The system's IMS installation is one of the largest in the country and is being provisioned to support up to 400,000 active users. Renewal of the Desire2Learn contract is endorsed by the IMS Advisory Council, an advisory committee comprised of faculty, students, and administration.

The annual contract with Desire2Learn is estimated at \$750,000. The base contract, consisting primarily of license and maintenance fees, is approximately \$600,000. ITS also anticipates an additional \$150,000 annually for premium technical support and services, including campus training.

Trustee Grendahl 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 renewing the current contract until August 31, 2012 between Minnesota State Colleges and Universities and Desire2Learn for total expenditures not to exceed \$3,200,000. The Board directs the Chancellor or his designee to execute all necessary documents.

**6. MICROSOFT CONTRACT APPROVAL (Action)**

Vice Chancellor Ken Niemi requested approval to enter into an agreement with Microsoft Corporation for up to three years. The annual agreement is not to exceed a value of \$1,500,000, with an option to renew for two additional years for a total value of \$4,500,000. This contract must be renewed annually, even though the pricing is valid for the entire three year period.

The System Office negotiates a system-wide agreement on behalf of all system institutions. By consolidating the negotiations at this level, it allows creation of a larger license base, which enables the system to receive significant volume discounts for our institutions. The terms of the agreement will result in an estimated annual savings of \$270,000 for system-wide costs. The System Office has worked closely

with the State of Minnesota Attorney General's office throughout this process to insure that all legal obligations are being met.

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

**RECOMMENDED MOTION:**

The Board of Trustees approves execution of an agreement with Microsoft Corporation. The annual agreement is not to exceed a value of \$1,500,000, with an option to renew for two additional years for a total value of \$4,500,000. The Board directs the Chancellor or his designee to execute all necessary documents.

**7. ST. CLOUD STATE UNIVERSITY FACILITY LEASE (*Action*)**

President Earl Potter, St. Cloud State University, along with Dan Borgert, St. Cloud Downtown Council and Matt Glaesman, St. Cloud Community Development Director attended the meeting in support of the Fifth Avenue Live project. President Potter noted that the time is right for the development with the new bridge under construction.

The University is proposing to participate in the first phase of the project, located at 300 West Fifth Avenue, which would involve a developer-constructed 455-bed apartment building with underground parking for 315-320 stalls and an adjacent 12,000 sq. ft. Welcome Center with offices and gathering space. The University's phase includes 130 apartment units that would be predominantly 4-bedroom and 2-bedroom suites with shared kitchen and baths in each unit. The Welcome Center portion, immediately adjacent to the apartment complex, would serve as a gateway to the University from downtown and house space for ticket purchases for campus events, a small gallery for student work, a small space for soft goods such as University t-shirts and caps as well as some office space for the University's community engagement program and student support space.

The University, Wedum Foundation, and the developer have undertaken various market studies to determine the needs and best approach to improve the connection between the University and downtown St. Cloud and the University's need for updated student residence options. The studies evaluated the viability of student and market-rate residential development and retail/commercial space along this corridor, focusing primarily on serving university students. The development will allow the University to start renovation and upgrade of on-campus housing. Vice Chancellor King noted that she is satisfied that the University has the financial capacity to support the lease in case occupancy does not meet performance expectations. The university also has the ability to terminate the lease at prescribed times during its term. Vice President Steve Ludwig reported that their operating assumptions are based on about 90% occupancy with lower occupancy rates expected during the summer.

President Potter assured Trustees who were concerned with the location of the development near establishments that sold alcohol that the facility would be alcohol free. He noted that tremendous improvement has been made against binge drinking

and alcohol use among students. The level of security in the development will provide a safe environment.

Trustee Van Houten remarked that members had received correspondence from individuals who opposed the development. President Potter noted that public hearings had been held to allow the community to voice their dissent.

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 entering into two (2) separate, but coterminous, leases for an initial 10-year term each to lease student housing and a Welcome Center from the Wedum Foundation and/or its single-purpose limited liability corporation, with two (2) consecutive five-year options to extend consistent with the business terms as contained in Attachment B and C, subject to final approval by the Chancellor or his designee.

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

Associate Vice Chancellor Allan Johnson reviewed the proposed Revenue Fund Bond Sale which had its first reading at the March 17<sup>th</sup> meeting.

The 2009 bond sale includes projects from four institutions totaling approximately \$37 million and includes \$1 million in planning funds to advance design for future projects. Unlike academic facilities, Revenue Fund facilities must generate their own construction, maintenance, operations and repair funding through room, board, and other related facility fees. 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. Normandale Community College and Minneapolis Community and Technical College will have new fees at their institutions for new student activities spaces comparable to those at the state universities' student unions.

Century College's parking lot renovations are estimated at \$4,075,000. Minneapolis Community & Technical College's student center renovation and new construction are estimated at \$10,080,000. Minnesota State University, Mankato's recreational field renovations are estimated at \$6,300,000. Normandale Community College's student center renovation and addition is estimated at \$14,500,000. All projects were favorably endorsed by individual college and university student leadership.

The bond pricing and closing on the sale is expected in June. Both rating agencies, Moody's Investors Service and Standard and Poor's have reaffirmed the system's 2008 ratings of Aa3 and AA-.

Vice Chancellor King commented that the Series Resolution may have minor changes. Bond Counsel, Robyn Hansen of Leonard, Street, and Deinard, confirmed that they have tried to minimize any changes that may be needed and the resolution

contains delegation language that allows the Chancellor or the Vice Chancellor to amend language in the Series Resolution.

Trustee Grendahl 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 authorizes a Revenue Bond sale for no more than \$40,000,000 for projects totaling about \$37,000,000 including advance design and subject to the parameters as presented Appendix C. The Board of Trustees approves the Series Resolution as described in Appendix B.

**9. FY 2010-2015 CAPITAL BUDGET REQUEST (First Reading)**

Associate Vice Chancellor Allan Johnson and Sally Grans, System Director for Facilities Planning, reviewed the FY2010-2015 Capital Budget request. The Board will be requested to take final action on the budget at its June 2009 meeting.

Work to prepare the capital budget began in earnest with the Board's approval of the Capital Budget Guidelines in June 2008. Progress updates have been provided to the Board; capital project proposals were reviewed and scored in January and February; a public hearing was held on February 25, 2009; and a detailed study session for the Finance, Facilities and Technology Committee occurred on April 15, 2009. The January update included a presentation on the Facilities Reinvestment and Renewal Model (FRRM) and its use in guiding capital planning activities around the System. Discussions have addressed the size of the proposed budget, debt capacity and inflation, connections to the Strategic Plan, workforce development, enrollment growth, and stewardship of state physical plant resources.

There are four major components of the capital budget proposal:

- 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.

Recent Board discussions and institutional experiences in the Twin Cities market have shown the urgency of adding new upper division and graduate programming. This proposed capital budget supports academic planning for upper division and graduate programs in the Twin Cities area. Of the proposed 2010 projects in the metropolitan area, 48% of the new square footage and 17% of renovated square footage has been planned for expanded state university programming. This is a direct response to enrollment growth anticipated in the metropolitan area.

Online enrollment has grown over 10,000 FYE from 2005 to 2009. Anecdotal information indicates that library, computer labs and learning resource center usage has increased due to student preference to be on campus, using college/university equipment for online and blended courses. To date, it does not appear that campuses have had any decrease in space requirements as a consequence of online course delivery. This capital budget provides new or improved space through eleven projects for open computer labs to improve student access for online courses.

Mr. Johnson commented that much has been written and discussed in recent years about “green” architecture, sustainability, and minimizing impacts on the environment. Minnesota is fortunate to also have comprehensive and sustainable building design standards, founded in statute, known as Buildings, Benchmarks & Beyond (B3). In addition, Minnesota State Colleges and Universities developed its own standards many years ago that are critical to the excellent design and construction of our facilities, and ultimately to the energy and maintenance efficiency of the system’s physical plant. Most new construction projects that conform to MnSCU standards and the state’s B3 standards would be LEED certifiable at the silver level. HEAPR, by state statute definition, has a major impact on energy efficiency in terms of replacement of roofs and windows, correcting moisture intrusion in building envelopes, and undertaking repairs and improvements to heating, ventilation and air conditioning (HVAC) systems.

In response to Trustee Thiss’ inquiry about the vetoed projects, Mr. Johnson noted that vetoed projects have traditionally maintained their priority from the previous capital budget request list. Trustee Hightower asked if there had been any scope adjustments since the last discussion about the project list. Mr. Johnson noted that there were none. Chair Renier remarked that the capital budget process went well.

Karen Foreman, AFSCME representative, addressed the committee and expressed approval of the capital budget process. The capital budget request will be presented for its second reading and approval at the June Board of Trustees meeting.

The meeting adjourned at 10:02 am.

Respectfully submitted,  
Nancy Lamden, Recorder