

MINNESOTA STATE COLLEGES AND UNIVERSITIES

BOARD OF TRUSTEES

FINANCE AND FACILITIES COMMITTEE

MEETING MINUTES

October 20, 2015

Finance and Facilities Committee Members Present: Chair Cowles, Duane Benson, Flip Krinkie, and Maleah Otterson

Other Board Members Present: Trustees Margaret Anderson Kelly Charpentier Berg, Alexander Cirillo, Dawn Erlandson, Elise Ristau, and Louise Sundin

Leadership Council Representatives Present: Chancellor Steven Rosenstone, Vice Chancellor Laura King,

The Minnesota State Colleges and Universities Finance and Facilities Committee held its meeting on October 20, 2015, 5th Floor, McCormick Room, 30 East 5th Street in St. Paul. Chair Cowles called the meeting to order at 9:30a

Chair Cowles welcomed returning and new committee members. There were two members absent but a quorum was reached. The Board of Trustees retreat surfaced a couple of questions related to the Finance and Facilities Committee topics for the upcoming year. Chair Cowles and Vice Chancellor King have been working together to incorporate members' interest in the year's work.

1. Minutes of June 17, 2015

The minutes of the June 17, 2015 Finance and Facilities Committee were approved as written

Finance and Facilities Update

Vice Chancellor King welcomed all members and provided some updates of note: the Leadership Council has designated new liaisons to the Finance Committee: President Anne Blackhurst (MSU Moorhead) and President Barbara McDonald (North Hennepin Community College).

Next month the FY2015 financial statements will be presented to the Audit Committee surprises thus far, none anticipated. In January there will be an extended conversation in the Finance Committee about FY15 performance.

Finance and Facilities staff have been busy with legislative and executive bonding tours. The House has completed their tours. The Chancellor presented the board's 2016 capital improvement request to the Commissioner of Minnesota Management and Budget and the governor's staff. The Senate continues tours into October and November. Vice Chancellor King again thanked the campus staff for a terrific job hosting tours on the campuses.

Chair Cowles commented from the standpoint of the board and committee that there has been an impressive show of participation and engagement on the part of the students, staff, and faculty. It has made a big difference, reports have been positive. Vice Chancellor King acknowledged the elected officials and stated that it makes a difference for elected officials to get on campus and talk to the students.

Vice Chancellor King mentioned a recent memo to the board regarding a potential federal government shutdown and federal budget conditions. Risk has moved out to December. The staff is part of the state's Emergency Management Planning Risk Assessment Process and will keep the board informed of any risks to operation.

The federal Perkins loan program has been shut down. Staff is working with higher education colleagues to get that program reinstated as part of the federal budget for now. The colleges and universities have stopped issuing Perkins loans. The past year there were approximately 2,600 MnSCU students who received Perkins loans totaling \$50M.

The Long Term Financial Stability work group has launched after a terrific discussion at the board retreat. Trustee Cowles is the board's representative on that group. The first meeting was October 9; staff will provide an update in March and hopefully a final report by June. Chair Cowles commented that the first meeting the energy and commitment on the part of the participants seemed very strong and they welcomed the opportunity to be a part of the work.

Chair Cowles asked members for any comments.

Chair Cowles explained that the items listed on page 13 will be presented as a single item and will follow with individual approvals. Although presented as a single agenda item, members are welcome to raise questions and discuss individual components.

2. Surplus Real Property Approval – Central Lakes College Boundary Line Correction

Vice Chancellor King reported this is a request for the committee to recommend to the board the surplus of a fractional piece of land on the edge of Central Lakes College Brainerd campus. The requirement emerged after a survey was undertaken between the college and adjacent property owner and identified a disputed notch of land.

The committee recommendation is that the board authorize the execution of a quit claim deed with the land owner for \$1 and clear the boundary dispute. Page 15 and 16 contain an illustration of the property.

Chair Cowles asked if committee members had questions. She also wondered if the board needed to consider adopting policy that specifically addressed this type of situation. Vice Chancellor King responded that the board policy addressing approval of acquisitions and dispositions can be read to include this type of transaction.

Chair Cowles directed the committee's attention to the proposed motion on page 14 of the board packet. Trustee Renier made the motion and Trustees Otterson seconded. The motion was adopted.

Chair Cowles presented the items on page 17, a number of items exceeding \$1 million and proposed that they be considered as a group.

Vice Chancellor presented the eight items in the packet:

3. Approval of Contracts Exceeding \$1M

Lake Superior College Customized Training

This is a customized training contract between Lake Superior College (LSC) and Aggregate and Ready Mix (ARM), a vendor in the Duluth area that is a partner with the college. The board is asked to approve a one year contract that is renewable for up to five years with a maximum payout of up to \$4 million.

Grant for Thief River Falls Housing Development

Returning members will recall that this item has been before the board in a couple of iterations as the community and the college have struggled to bring student housing to the campus. The recommendation is to approve the award of a \$1.1 million grant to Management, a third party developer and the college foundation to finance, renovate and operate student housing adjacent to the college in Thief River Falls. This is a transaction that spins out of legislative assistance in the 2014

recommendation provides for a slightly higher authority to anticipate change orders or bid differences.

Chair Cowles expressed appreciation for the great work that went into this housing project plan and thanked committee members for their questions and pointed out that this effort shows creativity and collaboration with the community.

Chancellor Rosenstone supported these observations and remarked that this housing collaboration would make it possible to build and grow the college's nationally unique ASU program. This will have a huge economic impact on the state and industries from agriculture to realtors to manufacturing. The availability of housing will allow this program to reach its full potential.

Trustee Krinkie asked about the SCSU plumbing replacement project and noticed that SCSU has a \$7.8M backlog, and wondered what the other projects were on the backlog list. Vice Chancellor King promised to research and provide a follow up. She noted that St. Cloud is in the midst of a comprehensive master planning process which includes a residence life master plan.

Chair Cowles asked the committee to make a motion to accept all of the items approval on page 20. Trustees Renier moved and Trustee Krinkie seconded. The motion was adopted.

College and University Operating Budget and Financial Recovery Plans Update (pp. 23-30)

Vice Chancellor King introduced System Director for Financial Planning and Analysis Deb Bednarz and presented updates to the FY2016 Operating Budget and the Financial Recovery Plans (FRPs).

Operating Budget:

Work has been done on the FY16 operating budget and the general conclusion is that the budget is expected to perform within one percent of the forecast approved by the board as part of the June operating budget.

Enrollment and compensation assumptions have been updated. The board approved a budget in June that assumed a 1.8% over-year decline in enrollment, fall enrollment is tracking slightly lower with a decline of 2.6 percent. A notable observation is that there is a very strong uptick in graduate enrollment. Compensation cost increase estimates are slightly higher than projected at the time of the board approval in June. Minnesota Management and Budget (MMB) has settled all contracts with the classified units and have revised their health insurance outlook; the system has reached agreements with the Inter-Faculty Organization and the Minnesota State University Administrative Faculty.

Trustee Renier asked for clarification on enrollment projection. Vice Chancellor King explained that the board approved a budget in June that included a college and university forecasted enrollment decline of 1.8 percent for FY16 as compared to FY15—enrollment is down 2.6 percent, which is .8 percent more than colleges and universities anticipate.

Trustee Benson asked what that loss amounts to in dollars and cents. Vice Chancellor King explained that the enrollment, tuition revenue and compensation changes combined creates a \$13M swing for the college and university budgets. It is not yet known how campuses are balancing their budgets to address the change.

Trustee Benson followed up asking if increased enrollment and retention would help come up with a dollar amount. Vice Chancellor King responded that colleges and universities are improving retention. On the revenue side, there is never a diminishing return on increased enrollment and retention of students. On the expense side, it is largely resembles and inverted bell curve. As enrollment rises, the expense of adding courses steps in large increments—until a course section is filled, there is no material cost, but as soon as a new section must open, there is a large cost.

Trustee Erlandson asked for additional information about insurance, does the employees are paying a greater percentage out of their pockets. Vice Chancellor King responded that the increases shown in the board report are the increases the employer pays. There was a change in deductibles and copays depending on the providers and that all state agencies experience the same level of increases in a coalition bargaining environment. Additional detailed information will be provided to the committee.

Trustee Krinkie asked for insight on what happened since MMB was said to be projecting zero increase in health insurance cost why the number comes back closer to 7%. Vice Chancellor King responded that she and Vice Chancellor Carlson have been in regular conversations with the executive branch and there is a statewide coalition bargaining process that results in tremendous volatility in the campus planning environment. From a campus perspective health, dental and life insurance represents 6% of their total compensation forecast.

Trustee Benson thanked Finance for including diverse enrollment statistics as part of their reporting. This is helpful information.

Fund Balance Analysis:

The FY15 final college and university fund balances will be released with the FY2015 financial statements. The system tracks and reports general fund balance as a measure of the system's financial resiliency and capacity. College and university contributions are viewed as a tool that's used to strengthen their financial position. At the end of 2015,

Trustee Anderson Kelliher asked what conditions must exist for a college or university to use fund balance. Vice Chancellor King explained that board policy calls for campuses to hold 5-7 percent of

Chancellor Rosenstone emphasized that the urgency of the situation is not lost on anyone involved, and that the System's goal is to maintain service to students and communities.

Discussion questions:

Trustee Cirillo noted that materials are all averages ~~would~~ like to see data that shows the highs and lows in order to maintain perspective on individual colleges and universities. Vice Chancellor King reminded the committee that there will be an update in January on the resiliency testing and this would be a good place to show these things. Trustee Otterson mentioned that the numbers were frightening, but acknowledged that this is a snapshot and questioned whether there was a way to widen the snapshot to show more trends. Trustee Anderson-Kelliher reminded the committee that there are only two 'levers' to pull on the machine—enrollment and state appropriation. There needs to be some thought about diversification of the tools we have to use and how we can use them. Trustee Krinkie suggested that trustees think about visiting high schools to promote MnSCU instead of always visiting the colleges and universities.

The meeting adjourned at 11:00 a.m.

Respectfully submitted,

Maureen Braswell
Recorder