

**BOARD OF TRUSTEES**

Today we will also hear the findings of the ISRS business case review and a report on the progress of the ISRS NextGen report. There's been a lot of campus outreach and input in the effort.

Vice Chancellor King was invited to make remarks and noted the following; March 31<sup>st</sup> is the deadline for submission of the state single audit to the Department of Education; the Technical Advisory Committee and the Allocation Framework Redesign groups continue to meet monthly. There was a WebEx meeting with the interested constituent groups and more upcoming. There was input solicited, good feedback and conversation and the work is on track for preliminary recommendations in June.

A copy of the campus impact statements relating to the supplemental budget request was sent out electronically and a hard copy is at members' places. The document lays out work done on a campus by campus basis and the work surrounding the core mission, talent and work force, commitment to diversity, and it articulates the impacts if the \$21 million is not received.

The governor recently released supplemental budget recommendations. The spending recommendations totaled under \$700 million, including \$170 million in recommended tax cuts. Included in the \$690 million spending recommendations were \$411 million in one-time recommendations and \$270 in base spending increases. The base spending would occur in FY2017 and continue into FY2018 and FY2019. The governor recommended base funds and the recommendation for higher education overall totaled \$56 million; \$21 million for MnSCU

hosted Representative O'Neil in a joint conversation with the university and St. Cloud police department around safety, security, and neighborhood management around the area adjacent to St. Cloud. There were no questions. Chair Cowles proceeded with the agenda. **Minutes of January 27, 2016**

Chair Cowles recommended a motion to approve the minutes. Trustee Otterson made the motion, Trustee Krinkie seconded. The motion was approved.

## **2. Approval of Finance and Facilities Committee Charter**

Chair Cowles stated that the committee charter was revised in February and was discussed at the executive committee meeting and can have further confinement as warranted. There were no questions or comments. The recommendation for a motion to approve was made. Trustee Krinkie made the motion which was seconded by Trustee Anaya, and approved.

## **3. Proposed Amendments to Board Policy 5.9 Biennial Budget Planning (Second Reading)**

Chair Cowles explained that Policy 5.9 only had technical changes as a result of the recent review and consultation. Vice Chancellor King stated that there has been no outreach from interested parties or comments since January. Trustee Krinkie made the motion that the committee recommend the Board of Trustees approve the changes to Board Policy 5.9 Biennial and Annual Operating Budget Planning. Trustee Anaya seconded and the motion was approved. ~~The motion was adopted.~~

## **4. FY2018-2024 General Obligation Capital Budget Program Guidelines (Second Reading)**

Chair Cowles welcomed Vice Chancellor King and Associate Vice Chancellor Yolitz to present to the committee the second reading of the proposed guidelines. Associate

to cad [(F)-4.7ead [(Fa el)-6(dTl)--0.9(p4(04a)47.(c)4(0.9(v(l21(e.004 Tc -0.03 0o t)-6)6(-1(ecen -0.06 Tw 10.0

The systems Facility Condition Index, or FCI represents the ratio of backlog requirements to the value of the physical plant. The system's ratio of 10 percent is on par with other higher education





Trustee Hoffman commented that years ago the percentage of utilization was very low for academic space on Fridays, Saturdays, and evenings and asked if that has improved. Mr. Yolitz responded that there are similar patterns of space utilization. In looking at student's needs and desires, ways of exploring opportunities to expand classes is being examined i.e. evening and early in the day programming.

Trustee Otterson commen O st-il5ts 4( s)-1(.8(i-0.04a675. (s,)1(O)4( s)-1(t- e)4(ve).-4(ace )]T0.2( )]TJ 0 7-

*Finance and Facilities Committee Meeting Minutes  
March 15-*



plan monitoring protocol is fairly new. Of the 11 schools, 7 have improved their CFI score since they established their recovery plan, 8 reported improvement in their net operating income, 8 reported general fund balances above the guidelines, and 5 added to their fund balance. The indicators are changing behavior and encouraging tough financial decisions to improve their outlook. Chancellor Rosenstone commented that this is a process in response to board requests to fully monitor colleges and universities that are under financial stress. The fact that there is a formal process that includes Vice Chancellor King, presidents, chief academic officers, and chief financial officers is a response to the board's request. Greater oversight is warranted from the system when colleges and universities appear to be in some financial stress.

Vice Chancellor King reported that CFI scores are improving at 53 percent of the colleges and universities. The system cash position is stronger than indicated by the CFI results. Enrollment forecasting integrity is a key indicator for financial improvement and financial condition. The process is producing the right results in terms of monitoring, reporting and oversight.

There are changes across the system in terms as a result of the stress testing work which includes changing enrollment methodology, adding metric work, building and improving relationships with local high schools, and working with the data systems at the local high schools. There has been demographic work at the regional and state level. The academic and student affairs community works on this from a best practices standpoint. Some of the colleges and universities will be reducing their expenses in order to produce positive operating results. The stress testing model was developed as a way of designing a map of the college or university budget to see how much flexibility it has. The model stresses revenue based on enrollment declines but it makes no other





equivalent cost reduction which will result in cuts in staff and programs. Vice Chancellor King responded this will challenge the committee to come to the table with new thinking.

Chancellor Rosenstone commented that it would be helpful to begin conversations early with leadership in both houses and parties to provide insight into the system's collective thinking as strategies are developed for presentation to the board.

Chair Cowles thanked everyone for their comments and involvement in the meeting and stated that the Finance and Facilities Committee meeting is recessed due to time constraints until 8:00 a.m. on March 16, 2016 to allow Associate Vice Chancellor Phil Davis to give an update on Campus Service Cooperative.

The meeting recessed at 4:55 p.m.

## **9. Campus Service Cooperative Update**

The update was given on March 16, 2016 at 8:00 a.m.

Chair Cowles reconvened the Finance and Facilities Committee from March 15, 2016 which had to be recessed due to time constraints. Associate Vice Chancellor Phil Davis acknowledged Celena Monn for assisting with the presentation. The Campus Service Cooperative is guided by a team from the Leadership Council and was formed in 2011 to demonstrate how working collectively could leverage the buying power of our 31 colleges and universities and improve processes by sharing services among colleges and universities. The outcomes for FY2015 were good. There was a savings of about \$2.26 million on approximately \$50 million in spending which broke out at about \$1.7 million in savings on the contracts and about \$564,000 in direct cash rebates to our colleges and universities.

Every college and university in the system had total savings of at least 7 times the system's investment and some as many as 10 times the system's investment in the CSC. Of our 31 colleges and universities, all but 4 received a cash rebate that was equal to or greater than the investment. Associate Vice Chancellor Davis asked President Potter to comment on the operating framework.

President Potter commented the cooperative serves to assist in the value proposition by taking some of the financial pressure off of operating budgets. Early on, there were concerns about the cooperative and whether relationships with local suppliers would be preserved while taking advantage of some of the economies and efficiencies provided by the CSC. It has worked and is not the answer to any particular question but it is one of several tools used to help navigate difficult financial waters.

Associate Vice Chancellor Davis posed two the questions; one about the benefits and pitfalls of moving from the current model which honors campus autonomy and is built around voluntary

participation and whether campuses are ready to make change within the organization to accommodate the benefit. Some of the benefits include increasing leverage to get best pricing and terms on a contract and services. One of the pitfalls is giving up some local control. There is also question whether a campus is ready to make a change within the organization to accommodate the benefit.

Chair Cowles asked Associate Vice Chancellor Davis to describe the potential scale of what universal participation might represent if similar results are achieved. Associate Vice Chancellor. Davis responded that the kinds of results on services that haven't shared are estimated at around \$50 million. Office supplies spending is about \$2.8 million a year so our experience have been a savings of about between 5 and 10percent overall.

Chancellor Rosenstone asked for clarification to the question before the board on whether to continue with the process of voluntary participation and accept that there may be another \$2 million not being gained or whether the board would like to see mandatory participation understanding the consequence but go for the potential additional \$2 million savings.

Trustee Krinkie asked if there has been discussion or exploration into expanding into the academic area. Associate Vice Chancellor. Davis responded that three- fourths of spending is on the personnel side and in academic affairs. Associate Vice Chancellor Davis stated that CSC is built on a culture of respect. The following items are desired areas of study; core business, financial aid spending progress, admissions, and placement testing and academic leaders sharing programs.

Trustee Krinkie asked about discussion into payroll operation and potential savings. Associate Vice Chancellor. Davis responded that there are currently two payroll hubs and 11 of 31 institutions participate. Trustee Hoffman asked President Hansen