

North Dakota State Board of Higher Education

January 18, 2023, Budget and Finance Committee Meeting Minutes

The State Board of Higher Education Budget and Finance Committee met via Teams/conf. call on January 18, 2023 at 1:00 p.m. CT.

Chair Mihalick called the meeting to order at 1:00 p.m. CT.

SBHE Budget and Finance Committee members participating:

Mr. Tim Mihalick, Chair
Mr. Nick Hacker
Mr. Jeffry Volk
Ms. Danita Bye
Mr. Kevin Black
Mr. Michael Linnell, non-voting advisor

Other participants:

Chancellor Hagerott
Mr. David Krebsbach, NDUS
Ms. Jamie Wilke, NDUS
Ms. Jane Grinde, NDUS
Mr. Darin King, CTS
Ms. Terry Meyer, NDUS

Ms. Meredith Larson, Attorney

Ms. Sonya Koble, BSC
Dean Carmen Simone, DCB
Mr. Leslie Wietstock, DSU
President Easton, DSU
Ms. Joann Kitchens, LRSC

President Van Horn, MaSU
Ms. Amber Hill, MaSU
Mr. Brent Winiger, MiSU
President Shirley, MiSU
Mr. Keith Johnson, NDSCS
Mr. Bruce Bollinger, NDSU
Ms. Karla Stewart, UND
Ms. Odella Fuqua, UND
President LaFave, VCSU
Ms. Erica Buchholz, VCSU
Mr. Mike Pieper, UND
Ms. Krista Lambrecht, WSC
Ms. Melissa Thorpe, TIAA
Mr. John Godsoe, Bond, Schoeneck & King

1. **Agenda**

Bye moved, Black seconded to approve the agenda.

Volk, Bye, Hacker, Black and Mihalick voted yes. The motion passed.

2. **Meeting Minutes**

Volk moved, Bye seconded to approve the November 15, 2022, meeting minutes.

Bye, Black, Volk, Hacker, and Mihalick voted yes. The motion passed.

3. **MiSU Renovation of the “Beaver Dam” area of the Student Center**

Ratify Chancellor approval to MiSU for interim authorization to proceed with financing for and [renovation of the “Beaver Dam” area of the MiSU Student Center](#) at an estimated cost of \$3,100,000. Further provide interim authorization to seek legislative approval for the project during the upcoming 2023-24 legislative session.

President Shirley stated that a request was sent to Chancellor Hagerott for an interim approval, and MiSU is requesting this Committee to ratify his interim approval for both the projects with an estimated cost of \$3.1 million for a partial renovation. The renovation is to relocate one floor of the student center to the second floor of that building and to allow authority to include the request in the 2023 Legislative session. This request requires legislative approval because it is utilizing debt financing. This has been approved by the Student Government Association at MiSU. Meetings with architects and open forums have occurred. It will be funded by student fees that came out to an amount of \$87.00 per semester per full-time student. The percentage of voter turnout was below 20% of fulltime students, however it was promoted heavily by student government wherein they held the voting timeframe open for two (2) days with a passing vote of about 74-yes to 25-no. Mr. Winiger commented that the financing was set up for a 20-year term with an approximate 4.25% financing rate.

Volk moved, Bye seconded, to approve the recommendation to ratify the Chancellor’s interim authorization for MiSU to proceed with financing for and renovation of the “Beaver Dam” area of the MiSU Student Center at an estimated cost of \$3,100,000 and to provide interim authorization to seek legislative approval for the project during the upcoming 2023-24 legislative session.

Hacker, Black, Bye, Volk and Mihalick voted yes. The motion passed.

4. **Update on NDUS Retirement Plan NDUS Investment Consultant RFP**

Mr. John Godsoe provided an update on the NDUS Retirement Plan NDUS investment consultant RFP. He stated that the RFP proposal was approved at the last meeting and on December 19, 2022, that proposal was sent out to fourteen (14) national firms in and other qualified firms pursuant to requests received from committee members. Responses are due by January 31, 2023. To date, six (6) verbal responses have been received and he said that he has had conversations with some of the individuals that the RFP was sent to. As of today, one (1) response has been received and five (5) responded stating their submission is forthcoming. There have been two (2) responses indicating they will not be submitted. Information was provided to members prior to this meeting that included a proposed evaluation criterion to utilize when decisions will be made as to who will make the semi-finalist list, and then ultimately the selection of the final RFP. Mr. Godsoe indicated that these recommendations can be revised when discussions are held when the anticipated submissions are received. The other information provided was the proposed timeline deadline of January 31, 2023, however, more time can be added if necessary, and depending on the number of responses received by the deadline. After the selection process there will be a two-week process to complete the initial evaluation of those responses received of the paper submissions and then select finalists from those paper submissions. There will be a two-week process to interview the finalists and come up with a decision for the selected firm anticipating the engagement will be completed by the end of March. Mr. Godsoe provided an overview of the scorecard grading analysis to be used with the selection process including compliance and risk values. Members provided input on the worksheet analysis percentage breakdowns wherein expertise and experience should be weighted the most, agreeing to this percentage breakdown: A: 20%; B: 25%; C: 35%; D:10%; E:10% = 100%.

Volk motioned, Black seconded, to adopt the RFP analysis worksheet as presented and the percentage breakdowns of A: 20%; B: 25%; C: 35%; D:10%; E:10% = 100%.

Bye, Hacker, Volk, Black and Mihalick voted yes. The motion passed.

Chair Mihalick stated this item will be presented to the Board in March. It has not yet been determined if the interviews with the candidates will be in person or via video conference. If necessary, a special meeting could be held in order to meet Board meeting dates. Attorney Larson informed the members that notices are to be provided for special meetings if a special meeting is called; and when holding a special meeting, the only item(s) to be discussed are those listed on the Special Meeting Agenda notice.

Mr. Godsoe inquired if the committee would approve extending the submission deadline until February 7, 2023, because he has had at least two (2) candidates inquiring about a possible extension past the original deadline date of January 31, 2023. Mr. Hacker highly recommended engaging the Human Resources Council (HRC) within the timeline before a final determination is made. It will be important to hear from faculty and staff and HRC that they are supportive of the candidate being selected. Members concurred with Mr. Hacker's recommendation that HRC should be included in the scoring committee since HRC is an important part of the process along with the financial advisor and the record keeper. The components of the scoring committee will be discussed at the next meeting. Mr. Godsoe said that the timeline proposes the dates of February 10-24, 2023, for the initial review to be done noting that the selection committee would be determined by February 10, 2023, subject to modification based on the date of a special meeting, if called. Members agreed that the composition of a 5-member Scoring Committee should include 2-Faculty Staff, 1-NDUS office, 2-Board. Members concurred that the timeline outlined by Mr. Godsoe would be appropriate. Members agreed that Chair Mihalick is the proper person to select the individuals to be appointed to the Scoring Committee and to adjust the timeline, if necessary.

Black motioned, Bye seconded, to adopt the RFP Timeline, to include any adjustments, if necessary, as presented.

Black, Bye, Volk, Hacker and Mihalick voted yes. The motion passed.

5. NDUS Retirement Plan Revenue Credits

Ms. Melissa Thorpe reviewed the NDUS Retirement Plan [Revenue Credits](#), as requested by the committee at their November meeting. The investments in the various retirement plans generate revenue and excess revenue above and beyond record keeping expenses is funded into an RCA Credit account. That account can be used for several reasonable and necessary plan related expenses, and it can be used to provide credit back to participants. This information was provided to committee members prior to the meeting. The NDUS four (4) revenue generating retirement plans combined is over \$1.1 million in the account and for this committee to decide on industry best practices. It is customary to allocate those dollars in the form they accrued however there is not a hard fast rule to do that. A discussion can be held about eligible expenses, and she said she is prepared to outline the different markets available to credit it back to the participants. With the Revenue Credit account, it is customary to use the account to fund things like audits or a third-party counsel group that provides a benefit to the entire plan when it is determined to be reasonable or necessary (emphasis given). A screen share of the Vendor Expense Disbursement form (TIAA) was provided as an example of reasonable and necessary expenses that are eligible (a form currently being used in North Dakota). Ms. Thorpe reported there was

no election made in 2022 stating she is hopeful this group will provide insight on what it wishes to do 2023.

Mr. Volk inquired that when it comes to paying expenses, if the numbers reported reflect after expenses of the plan? Ms. Thorpe explained that the only expense that is automatically accounted within the return of assets is for the cost of record keeping. The first thing that is automatically accounted for is the 3.2 basis point to TIAA. Anything above and beyond that will flow to your revenue credit account. Need to be careful with the definition of expenses, whether that's record keeping, attorney, consultant, etc. Any expense that is not a TIAA expense is going to be annually requested and processed from the RCA. Jane Grinde, NDUS stated that NDUS has indirect expenses that are absorbed by the system office that are not charged back to the plan. Since revenue credit and institutional class pricing was implemented is when the office started leaning on new credit wherein each year disbursements of about 90% would be paid back to participants wherein 10% was retained for expenses such as travel. Other than that, there are no outside expenses. These expenses would be reported to financial reporting as outside revenue.

Black motioned, Hacker seconded to disperse 90% of the positive balances utilizing Option No. 3 Revenue Generating Investments.

Mr. Volk recommended there be further discussion pursuant to the 10% is being withheld revenue credits that are being used for expenses across multiple plans. This could probably be resolved with NDUS attorney and the investment advisor to make sure it is equitable to all participants. Ms. Thorpe stated that assets are segregated, and this group does have exclusive access to each plan. Chair Mihalick requested an update on this topic be provided at a future meeting.

Black, Volk, Bye, Hacker and Mihalick voted yes. The motion passed.

6. Update on Legislation

Chancellor Hagerott stated that an email was sent out today that outlines the budget presentations that includes highlighted areas where the system needs more help. A request will be presented to the Board at its meeting on January 26, 2023, to formally endorse the updated SBHE Legislative Budget proposal. He stated there is some debate on the minimum amount payable. The Board endorsed 96%. For example, in some cases, going from 96% to 98% will save NDSU \$2.5 million. This is being presented for discussion and then for the Chair and Vice-Chair to go directly to the Board and appropriate requests will be presented to the Board.

Mr. David Krebsbach stated that this information is what was approved by the Board in June and there are changes included in it pursuant to what SBHE said it would support. Tuition would have dollar amounts attached to it and the addition of 98% and 100% on the minimum amount payable. He explained the intent for which biennium would possibly be affected by the recommended adjustments to the SBHE budget listed at the bullet points however there are many details yet to be decided. The governor presented these requests in two (2) separate amounts, added to the budget for a total amount of \$55.8 million.

Chancellor Hagerott stated potential help may be needed in the area of the split of the cabinet around the minimum amount payable. He recommended 98% as that moves NDUS up to support the campuses.

Volk motioned, Black seconded, to recommend moving these items to the Board meeting to restore minimum amounts payable at 98% or prior biennium base funding.

Hacker, Volk, Bye, Black and Mihalick voted yes. The motion passed.

The meeting adjourned at 3:00 p.m. CT.