Administrative Affairs Council Minutes  
April 10, 2007 Conference Call

Participants
Dave Clark, Greg Ross, Mary Eisenbraun and Linda Fossum, BSC
Corry Kenner, LRSC
Brenda Wigness, WSC
Robert Gallager, Peggy Lucke, UND
John Adams, NDSU
Mike Renk and Keith Johnson, NDSCS
Alvin Binstock, DSU
Steve Bensen, MaSU
Ron Dorn, Jonelle Watson, Mark Anderson, MiSU
Trudy Collins, VCSU
Jim Borkowski and Ann Bergeron, MiSU-BC
Randall Thursby, Cathy McDonald, Tamara Barber, Pat Seaworth and Laura Glatt, NDUS

FICA Withholding for Tenured Faculty Early Retirement Payments
Pat Seaworth provided background on this matter and said that for the past 5-6 years, the NDUS has not been withholding FICA on early retirement agreements with tenured faculty, based on an earlier federal court decision on litigation involving NDSU. A year ago, the IRS revised its procedures and issued an opinion letter, which ruled that NDSU practice is no longer valid. A tax attorney has been hired to review the issue as well. Based on this ruling and review, it is recommended that the NDUS change its procedure to withhold FICA on all early retirement agreements, including those for tenured faculty, effective immediately. In response to a question, Mr. Seaworth said there is no need to go back and redo existing contracts. The Council agreed with the recommended change.

TouchNet
Peggy Lucke and Randall Thursby reviewed the materials regarding TouchNet and PCI compliance that was distributed with the agenda materials. Peggy said the initial desire was to implement a solution that permitted on-line credit card payments. In addition, she said that during the past year ways to control rapidly increasing credit card merchant fees and ways to deal with the new PCI compliance on credit cards has been identified as high priorities. She said that in order to permit on-line payment and be PCI compliant, we must outsource to a third party vendor since PeopleSoft is not PCI compliant.

In response to a question, Randall said there is no CND funding available to support the ongoing maintenance cost for TouchNet. If we proceed, each campus would have to pay a prorate share of the cost, but added that not all campuses must participate, although system-wide implementation would be the least complex and would provide additional leverage for pricing negotiation. A schedule was distributed outlining the pro-rata cost, by campus.

Peggy outlined the three main components/options which could either be purchased or subscribed to under a (5) year lease agreement as follows:
1.) payment gateway: basic functionality for accepting on-line payments. This is not PCI compliant.
2.) Pay path: outsource credit card processing and customer can pay either with credit card (TouchNet assesses and collects 2.75% convenience fee) or e-check (no fee assessed to the customer); does not accept VISA.
3.) Bill + payment suite: self-service functionality; information is stored at TouchNet and is PCI compliant; don’t have to charge a fee, but could; provides added functionality such as tuition payment plans. Accepts all credit cards, including VISA. Pay path would be additional cost component.

If NDUS is interested in implementing the product for fall 2007, need to get signed up and on TouchNet’s schedule by April 15, 2007. Mr. Thursby recommended the subscription model since we would not have to house the hardware. Mr. Thursby said the CND staff could implement this within current staff resources if all 11 campuses implement at the same time. There is also interest in an on-line payment solution in housing and parking offices which will have to be considered as a second-tier priority, at a later date.

Representatives of each institution were asked to indicate their interest in the TouchNet software. BSC, LRSC, WSC, NDSCS, DSU, MaSU, VCSU, MiSU-BC expressed a commitment to moving ahead with bill+payment suite, but not pay path. MiSU also indicated an initial interest in this solution, but said they need to have further discussion and would notify Ms. Lucke of their commitment following the meeting. UND supports implementation of bill+payment suite and pay path due the need to control merchant fees. NDSU said they need to have additional conversation on campus before committing to a particular direction.

Centers of Excellence Audit
Tamara Barber said this issue arose in a recent audit and she has been working with the two internal auditors at NDSU and UND on the audit process. Tamara said the original plan had been to issue an RFP to hire one auditor to do all of the Centers of Excellence audits. However, some campuses have expressed an interest in using their own private auditors. It was agreed that each campus would arrange for their own audit, with all using an agreed upon set of procedures and reporting format which will be approved by the council, at the next meeting.

In response to a question, Ms. Barber said that audits for FY06 and FY07 are needed and the legislation requires audits for four years following the disbursement of the funds. Pat indicated that it will be the campus’ responsibility to pay for the audit and these funds can come from any source other than the Centers of Excellence award.

SBHE Policy 340.2 – Foundations
Tamara reviewed the proposed policy changes related to audits of foundations, which was the result of an audit recommendation. She said of the four entities that would be required to have an audit, two already have audits and the other two have indicated a willingness to do so in the future. The revised policy was unanimously approved by this council and will be recommended to the Cabinet and SBHE. It will be required for FY07 audits.
NDAPPA Resolution on Deferred Maintenance and Update on Campus Master Planning Update

Tamara said she has been meeting with a small work group from the North Dakota Association of Physical Plant Administrators (NDAPPA) to review the current campus master plan. She said new instructions are almost complete and should be ready for Administrative Affairs Council consideration by July 2007. Rick Tonder, UND joined the meeting to review the resolution and Exhibit A, which outlined the criteria and provided an example of the criteria applied for calculation of deferred maintenance. He said the intent was to develop a consistent approach to calculating deferred maintenance, but to keep it simple. It is based on size, age, type of facility, and usage.

Trudy asked whether renovation of a facility would be taken into account when determining its age. Rick responded by saying it depends on the magnitude of the renovation would have to be considered. If it is a wholesale renovation it may change the age, but a small renovation may not.

Dave asked whether deferred maintenance would still be reported in the traditional categories of ADA, networking, health/safety, etc. Rick responded that they would not be reported by category.

Laura questioned the assumption that deferred maintenance would accumulate in the first five years following construction. Rick said that deferred maintenance begins immediately after the warranty period has expired, with costs beginning to accumulate, even though you may not need to replace immediately. The difference between accumulating costs and it has to be replaced since it has surpassed its useful life. Laura pointed out that this is a change in the definition of deferred maintenance that has been typically used in the past.

Alvin questioned whether this same model would be used statewide. The NDAPPA group will consider the model, which includes members beyond just higher education and OMB will need to be consulted when the model is ready. Will continue to use the statewide infrastructure formula.

After considerable discussion, Laura asked if NDAPPA was asking the council for a formal recommendation or just general feedback on the resolution. Rick said he was looking for general feedback at this time. It was agreed that (UND, LRSC, NDSCS, MiSU) would prepare an estimate under the new model to see how the figures reported in the past would change. This would be shared with the Administrative Affairs Council for further discussion.

2007-08 Annual Budget Guidelines

Cathy McDonald reviewed the 2007-08 annual budget guidelines. She added that some things can’t be finalized until after the legislative session has ended. Cathy asked that if anyone had any comments or suggestions to share them now, as these guidelines will go on to the cabinet, the Budget and Finance Committee, and then to the board in May.

There was some discussion regarding the concern of whether there is enough funding available to provide the 5% salary increase. Cathy reminded everyone that in the long-term finance plan, funding for salary and health insurance increases were the top priority and that any funding
shortfall in parity would be in the general operating inflation. It was suggested that added flexibility be added to the guidelines to permit campuses to seek and exemption to the 5% salary guideline, if needed.

Regarding tuition, Cathy said any increase of more than 5% must first be approved by the SBHE and then the budget section. It was suggested that the guideline permit the flexibility to increase tuition rates “up” to five percent.

No other changes were recommended at this time. The 2007-08 Annual Budget Guidelines will be revised as indicated and then presented to the cabinet for their approval.

**Other**
Cathy asked if there were any questions or comments on the Student Affordability Report that was distributed with the agenda packet. There were none.

Laura concluded by saying there was no new information on NDUS legislation to report at this time.

Meeting adjourned at 3:48 p.m.