Administrative Affairs Council Minutes
March 6, 2012 – 1:00 p.m.
Conference Call

Participants
Dave Clark – BSC
Alvin Binstock and Mark Lowe – DSU
Corry Kenner and Joann Kitchen – LRSC
Brian Foisy and Jonelle Watson – MiSU
Kara Bowen – DCB
Mike Renk and Keith Johnson – NDSCS
Mike Ellingson, Cindy Rott and Ray Boyer – NDSU
Alice Brekke, Peggy Lucke, Sharon Loiland and Cindy Fetsch – UND
Doug Dawes – VCSU
James Foertsch – WSC
Laura Glatt, Cathy McDonald, Robin Putnam, Mick Pytlik and Deanna Dailey – NDUS Office

Ms. Glatt said she had one additional item for the agenda:

- 2013-15 Utilities Budget

Vendor Registration
Mr. Pytlik referred to the email Ms. Teri Thorsen sent regarding the vendor maintenance process. In that message, Ms. Thorsen stated that one side effect of the PEP Project is that the state Office of Management and Budget (OMB) will no longer be handling vendor maintenance for higher education.

Mr. Pytlik said PEPP will separate the state’s database from the higher education database and as a result, OMB will no longer be providing vendor maintenance directly to campuses.

In order to move forward, the NDUS vendor maintenance workgroup has broken down the tasks within the vendor maintenance process and made recommendations regarding who will be responsible for each task (ConnectND staff or campus representatives). They’ve asked that the Administrative Affairs Council review their recommendations and indicate if they have concerns. At Ms. Glatt’s request, Mr. Pytlik reviewed those recommendations:

<table>
<thead>
<tr>
<th>Task</th>
<th>Responsible entity</th>
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<tbody>
<tr>
<td>Collection of W-9’s (or substitute W-9) or W-8’s (foreign vendors)</td>
<td>Campus</td>
</tr>
<tr>
<td>Verifying tax exempt status/verifying ACH accounts</td>
<td>Campus</td>
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<tr>
<td>Collection of IRS Letter of Determination for non-profits</td>
<td>Campus</td>
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### Task

<table>
<thead>
<tr>
<th>Task</th>
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<tbody>
<tr>
<td>Create/perform an inactivation business process</td>
<td>Split</td>
</tr>
<tr>
<td>a. Duplicates (check for open POs/open vouchers)</td>
<td>a. Campus maintain own but allow setup by ConnectND</td>
</tr>
<tr>
<td>b. No activity for 36 months</td>
<td>b. ConnectND</td>
</tr>
<tr>
<td>c. Security role</td>
<td>c. ConnectND</td>
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<tr>
<td>d. Consolidation &amp; inactivation spreadsheets- automate?</td>
<td>d. Eliminate altogether</td>
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<tr>
<td>W-8 expiration process</td>
<td>ConnectND</td>
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<tr>
<td>Research/resolve application message errors</td>
<td>ConnectND</td>
</tr>
<tr>
<td>IRS TIN matching</td>
<td>Service available through IRS. Most campuses not interested in doing this; ConnectND staff will work to avoid duplications</td>
</tr>
<tr>
<td>Legal compliance</td>
<td>ConnectND (if no legal requirements, they will deactivate this item)</td>
</tr>
<tr>
<td>Listservs</td>
<td>NDUS listservs: ConnectND will reconcile vendor listerv to determine who should maintain Professional organizations: ConnectND will share information with campuses</td>
</tr>
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Although no action is required from this group, Mr. Pytlik asked if there were any concerns from this group regarding the proposed plan. None were expressed.

**SBHE Procedure 909 – Lease Approval**

Ms. Glatt reviewed portions of Section III of the background information she prepared and distributed with the agenda materials.

Current SBHE policy 909 (amended November 2011) requires:

- Campuses approve leases, except for agreements involving development of institution property or other items noted below.
- Lease for a term of more than one year of real property must be approved by the chancellor (less than one year approve by institution)
- Capital leases require SBHE approval
- “Major” operating leases require chancellor approval

Ms. Glatt said she shared the comments and feedback regarding proposed lease approval from the most recent Administrative Affairs Council meeting with the chancellor. Chancellor Goetz informed Ms. Glatt that it is his intent to move forward with a plan that requires either chancellor or SBHE approval for certain leases. Based on this, Ms. Glatt revised the proposal based on a more comprehensive approach for both personal property/equipment and real property leases.

Earlier today, Ms. Glatt distributed SBHE Policy 909-Lease Approval, on which she’d written potential revisions for discussion. Some suggested that there be separate policies for real
property leases and personal property/equipment leases. Ms. Glatt will discuss this with Mr. Seaworth.

The substantive policy changes are as follows:

- Real property leases require approval by the chancellor and/or the SBHE, if the lease term exceeds five years, or, the total payments are UND/NDSU > $500,000, other institutions > $250,000.
- Personal property and equipment leases require approval by the chancellor and/or the SBHE, if the total payments are UND/NDSU > $500,000, other institutions > $250,000.
- As part of semi-annual budget status report provided to BAFC, campuses shall disclose all leases in a format determined by the chancellor. Campuses are also to submit copies of bond rating reviews, including updates, to the System office, as received.

She said she’s uncertain whether these would require chancellor or board approval and asked for input regarding her suggestions. Mr. Bollinger suggested that chancellor approval would help expedite approval.

In the materials sent just prior to the meeting, Ms. Glatt also included a history of lease schedules in order to show which of these would have required SBHE approval. Those highlighted in yellow and red are real property leases. The leases in green highlight non-real property leases that would require approval because they exceed the threshold. Using UND as an example, there are numerous operating leases for the airplanes, some of which would require approval, but not all. However, Ms. Glatt added that exempting any one class of property would not help with the issue of long term debt. She said she realizes this is not a perfect solution; however, Chancellor Goetz wants to bring this to the Cabinet at their March 28 meeting.

In regard to a question from Mr. Bensen, Ms. Glatt said her suggested lease term of five years (section 2) for real property is open for suggestions. However, none were offered.

Discussion took place regarding the rationale for setting the dollar amounts higher at NDSU and UND. Ms. Glatt explained there were a number of factors that led to that decision, such as each individual institution’s ability to pay debt and related revenue streams. She said she feels it is important to distinguish between the size and complexity of NDSU and UND, as compared to the other nine institutions. Mr. Binstock expressed concern regarding whether the internal auditor has agreed to this procedure. Ms. Glatt responded that she did visit with both Pat Seaworth and Bill Eggert and they didn’t express any concern.

After more discussion, Ms. Glatt concluded by stating this procedure is on the “fast track” and asked that any additional comments/suggestions be sent to her as soon as possible.

**SBHE Procedure 404 – Collaborative Student**

Ms. Glatt reviewed the document she prepared that was distributed with the meeting materials. She said she visited with Mary Eisenbraun (BSC) to gain a better understanding of the administrative issues. Following that, she visited with Chancellor Goetz regarding the proposed changes to this procedure. Initially, the chancellor did not feel the changes were consistent with the original goal of the collaborative student model (one bill, one aid package and one
transcript). However, even with the proposed change, among other things students would still have access to a one bill view in ConnectND, Chancellor Goetz agreed to support the original procedure revision submitted by the Collaborative Student User Group. That proposal would require the home institution to collect 100% of tuition and fees; and, if there is mutual agreement between the home and provider institutions, the home institution may also collect other charges. No objections were raised with moving the procedure forward to the Cabinet.

2013-15 Security and Emergency Planning Budget Request

Ms. Glatt said the chancellor has asked that a 13-15 biennial budget request be prepared to address systemwide needs for personnel to support emergency planning and campus security. She said she largely used the model that was used previously, and consulted experts at UND and NDSU.

She said the $200,000 request for emergency planning support is an estimate. The intent would be to use this pool of funds for contract services either internal or external to the system and/or added personnel to support systemwide needs.

With regard to campus security personnel, a ratio of 1:900 students was used, based only on face-to-face head count enrollment. Three scenarios are included for 8 hour, 16 hour and 24 hour coverage. Mr. Renk expressed concern that the calculations do not provide enough funding for 24 hour coverage.

Mr. Boyer (NDSU) said that currently NDSU is able to provide basic 24-hour coverage within the resources currently allocated, at least for initial response. Mr. Boyer continued by indicating NDSU isn’t properly staffed for emergency management and that he doesn’t think the $200,000 systemwide will be adequate. When Ms. Glatt asked him for a more realistic estimate, Mr. Boyer responded that in 2007, campuses did prepare a budget request to cover emergency preparedness, which included added regional staffing; however, the request was not funded. She asked Mr. Boyer to contact her with any ideas or suggestions on revising this budget request.

Ms. Brekke said they’ve been pushing for an emergency preparedness model in place at UND, but they are finding it difficult with a campus of that size. With the number of faculty and size of UND, it is not possible for one person to get all the moving parts together. Ms. Brekke added that much more staff time will need to be invested than that which is outlined in the proposed budget plan. Furthermore, each plan will need to be individually tailored to each campus and local law enforcement and support services.

The group discussed their concerns regarding the level and type of security required on campuses, including coverage for resident housing.

After more discussion, Ms. Glatt asked for volunteers to help her research and prepare a revised budget request. Ms. Brekke volunteered herself and Terry Sando from UND. Ms. Glatt encouraged others who want to volunteer to contact her as soon as possible.
2013-15 Utility Budget Calculations

Earlier today, Ms. McDonald sent a message to this group regarding the 2013-15 utility budget calculations. She attached a worksheet that compares the “appropriated” utilities totals from the 2011-13 and 2013-15 worksheets. It does not include the 2013-15 worksheet information for WSC and DSU, as Ms. McDonald had not received their worksheet at the time the worksheet was distributed. Ms. McDonald added she is also waiting for responses from several other campuses for other questions and as a result, the schedule is not final.

Ms. McDonald reviewed the methodology used to calculate a “base 2009-11 utility appropriation” for use going forward when the utility worksheets were prepared for the last biennial budget request.

When comparing columns 1 and 5 on the worksheet, the 2009-11 actuals were lower (most significantly lower) than the estimates that were used to calculate the 2009-11 base. Also, in most cases, there were significant variances between the 2011-13 estimates from two years ago (column 4) to the revised 2011-13 estimates in column 8. Ms. McDonald said that is understandable, in part, due to the mild winter that we are experiencing this year. The other factor impacting both 2009-11 and 2011-13 estimates used to calculate the base is the difference in unit costs, primarily in natural gas, and to some extent in coal and electricity. The estimated per unit costs were much higher in many cases, compared to 2009-11 actuals and 2011-13 revised estimates.

Ms. McDonald said based on the campus responses, it is her understanding that the 2013-15 estimates (columns 9-11) are based on use from more typical years, and that the per unit costs are based on most recent costs that have been adjusted, based on estimates from suppliers or historical increases. She separated the performance contract debt payments from the other utility totals in the attached comparison, because those changes from the base are significant to note (column 12). Columns 12 and 13 reflect the differences between the 2013-15 estimates (columns 9-11) and the calculated 2011-13 base (columns 2-4). Mike Ellingson (NDSU) indicated that their estimates for 2013-15 were not based upon typical years’ usage, but were based on future increases with the atypical FY12 as the starting point. They will send a revised worksheet.

Mr. Foisy expressed his concern that utility costs rise and fall each year and he doesn’t feel it make sense that we bring this issue to their attention. He also asked that since we don’t have to compare actuals to estimates in any other portion of the budget, why do we with utilities. Ms. Glatt said the problem becomes how does the NDUS defend that campuses should be allowed to retain the utilities appropriation that was not used for utilities? Ms. Brekke said in the past, perhaps not all of our inflationary increase or new buildings coming online had been funded. However, Ms. Glatt said that believes the legislature has always fully funded our utilities budget request. Ms. Brekke will look for documentation and visit with Ms. Glatt at a later date.

Discussion took place regarding the utilities budget requests, both past and present, the implementation of performance contracts and their impact on long-term utilities costs. Ms. Glatt said that although she understands their concerns, it will be difficult to ask for money from the legislature when there is an increase in utility costs but then refuse to give back any money saved. A suggestion was made that we don’t go forward with any decreases in the budget
requests for utilities, but inform OMB and the legislature that we intend to use any leftover money for other repairs, infrastructure, etc.

After additional discussion, Mr. Foisy, Mr. Clark and Mr. Renk agreed to meet with OMB, along with Ms. Glatt and Ms. McDonald, to discuss the issues related to the 2013-15 utilities budget request. Ms. McDonald reminded Mr. Binstock that she still needs the information previously requested for DSU and also asked that NDSU provide her with their revised estimate based on a more typical winter, as opposed to this current mild winter.

Meeting adjourned at 4:05 p.m.

Future Meetings
April 17, 2012
May 22, 2012
June 26, 2012
July 23-24, 2012 (retreat)
August 28, 2012
October 9, 2012
November 20, 2012