Administrative Affairs Council Minutes
September 10, 2013 – 10 a.m.

BSC Horizon Building - Conference Room

Participants
Dave Clark, Tamara Barber, Don Roethler, and Mary Eisenbraun – BSC
Kara Bowen – DCB
Mark Lowe – DSU
Corry Kenner and Joann Kitchens – LRSC
Steve Bensen – MaSU
Dennis Gladen and Keith Johnson – NDSCS
Bruce Bollinger, Mike Ellingson (via telephone), Karin Hegstad, and Cindy Rott – NDSU
Alice Brekke, Cindy Fetsch, Dawn Pladson, Rick Tonder (via telephone) Cindy Fetsch, and
Peggy Lucke – UND
Brian Foisy (via telephone) – MiSU
Doug Dawes – VCSU
James Foertsch - WSC
Laura Glatt, Cathy McDonald, Lisa Feldner, Mick Pytlik, Tom McNaughton and Deanna
Dailey – NDUS Office

Presentation and discussion on construction manager at risk process
Mr. Rick Tonder provided an overview of the Construction Manager at Risk (CM@R) process for acquire construction services. The CM@R selection process is similar to that of selecting an architect for a new building. The criteria for the selection of the CM@R are specified both by statute and individual owner requirements. The CM@R acts as the ‘general contractor’ of the project, active in the design process, providing cost estimates, and suggests construction materials/techniques. They manage all aspects of the work to guarantee performance. Please refer to the handout provided for more specific information about the CM@R option.

Discussion took place regarding the pro’s and con’s of using the CM@R process.

In response to a question from Mr. Clark, Mr. Tonder said that although the statute does not include any specific amount, agencies are allowed to pay the CM@R. The CM@R is required to publicly advertise and bid all work components that are not self-performed. Although no limits are placed on self-performance, best practices contractually limit the CM@R to 10% of construction costs. Mr. Tonder added that some contractors want to get involved as a CM@R because they see it as an opportunity to learn.

James Foertsch said he’s been really satisfied with the CM@R process thus far and they’ve had people willing to donate their time. Mr. Bollinger reminded Mr. Foertsch to record all donated time and services as part of the project cost. Corry Kenner and Steve Bensen
expressed that they too are satisfied with the CM@R experience. Mr. Kenner thanked Mr. Tonder for being a great resource to LRSC.

Ms. Glatt asked Mr. Tonder about one of the drawbacks he has identified, specifically, that the CM@R may not deliver the absolute, lowest cost possible. Mr. Tonder said this is true; however, in his experience, the costs are comparable when you consider the number of change orders that a design-bid-build process has. Ms. Glatt reminded everyone that it is very important to maintain transparency throughout the process.

In response to a question from Dennis Gladden, Ms. Glatt said the new NDUS Director of Facilities Planning position among other things will assist campuses with the preparation of the system master plan and space utilization study; assist with project review and prioritization; and, assist campuses with master plans and project oversight, as requested.

**Review systemwide campus master plan and space utilization proposal**

Following significant internal and external consultation, Ms. Glatt prepared and presented a draft plan for the completing the study. Industry experts suggest the study will take a minimum of six months to complete and could be as long as 18 months, depending on who the level of campus engagement. She said the goal is to run as many phases in parallel to shorten the timeframe for completion, without leaving out critical plan elements.

Ms. Brekke said it will be important to consider infrastructure, including technology as part of the planning process.

Mr. Gladden asked if this $1 million will cover the full cost of this study. Ms. Glatt replied that the consultants she’s discussed this with do believe the funding should be adequate, if we keep the plan at a high level. However, it will not likely cover the cost of the campus master planning process. But, campuses should have been prepared for this cost already since with or without the system plan, new campus master plans were required this cycle.

In response to a question from Mr. Lowe, Ms. Glatt said the system could have a combination of planning consultants engaged. The consultants did not believe it is feasible to have one planning firm complete both the system and campus plans. Thus, some combination of system and campus planners will likely be required, but they will need to work together very closely. She discussed the possibility of coordinating campus planning by tier or by geographical location.

It was agreed that it’s important that all of the institutions are on the same page and communicating throughout the process.

The timelines for the campus master plan and space utilization study were reviewed and discussed at length. Concern was expressed by Council members about the length of time to complete the study, adding that it will be important to find innovative ways to shorten the timeframe, given the biennial budget cycle requirements. It was also suggested that campuses already have fairly well defined priorities and projects identified and it will be important to get these into the mix as soon as possible.
Because this study will be discussed with cabinet on September 25, Ms. Glatt encouraged everyone to provide feedback ASAP so those comments/concerns can be shared with the cabinet at that time.

Mr. Clark said some institutions prepare a formal, more professional campus master plan, while others prepare a simple, “bare bones” plan. He suggested the system office create a template or guide for consistency. Dave also pointed out that it will be important to consider lease space in the planning process.

In response to Ms. Brekke, Ms. Glatt indicated that campuses that are already engaged in space utilization studies should continue with their efforts, as they will likely help expedite the system planning process.

In response to a suggestion from Council members, Ms. McDonald said she would send out the campus master plan guidelines and instructions to begin work on the “given” parts of the planning process such as inventory, maps, etc.

**Update on performance funding**

Ms. Glatt reviewed the performance funding status task force report, which was included in the meeting materials. She said there have been some changes to the task force membership since its inception. The next meeting of the task force is scheduled for September 24 in Valley City. The task will be to take the three measures which were approved by the SBHE in April 2012 and begin to work through the details of implementation. The three measures are:

- fall to spring retention at initial institution,
- Fall to Fall retention within the NDUS, and
- number of students awarded degrees between July 1 and June 30 of each year

Mr. Larry Isaak, former NDUS chancellor and current president of the Midwestern Higher Education Compact (MHEC), will be presenting information regarding higher ed performance based funding to the Interim Higher Education Committee at their next meeting on September 26, 2013.

**Discuss Pathways Plan implementation**

The “Pathways Points Decisions and Timeline - March 1, 2013 was included with the agenda materials for review. Ms. McDonald’s report outlining the status of each of the tasks was also distributed with the agenda packet. She reviewed the status of the items in her report, covering both those items that were accomplished/agreed to and those issues to be revisited.

Mr. Foisy said it wasn’t clear to him whether MiSU is exempted from having to use the subsidized dual credit rate. Ms. Glatt asked Mr. Foisy to prepare a fiscal impact based on the assumption that it applies to MiSU and to submit this information to the System Office as soon as practical. The System Office will work with the campuses to update the already
agreed upon dual credit rates since rates have changed since their original design. The intent is to finalize these dual credit rates for release early next calendar year for implementation in the Fall 2014.

Ms. Lucke asked about how early admits and dual credit are reported in official enrollment reporting. Ms. Glatt said the System Office would check and report back to the Council.

The Council talked about the need to consider transition plans for implementation of dual credit rates at some campuses, like LRSC and DSU, since the fiscal impact will be significant. Laura said this would be considered as part of the planning process.

There was considerable discussion about how the Pathways Plan tuition model of common rates by tier fits with the new Governor’s state funding model. Bruce Bollinger pointed out that the Governor’s model was intentionally built to exclude tuition. This was seen as a SBHE responsibility. Ms. Glatt also pointed out legislative frustration wherein they want to understand and know the inter-relationship of state funding and tuition, and our intention with regard to tuition rates up-front, instead of hearing that they are contingent upon state appropriations.

Following lengthy discussion, there was agreement to continue to work to common rates or ranges of rates within each tier, consistent with the Pathways Plan. Campuses will meet by tier to develop proposals and identify the potential impacts. It was recognized that multi-year transitions plans may be necessary to address potential significant impacts to students and/or campuses. In planning, campuses will continue to work toward one blended rate for on-campus and on-line delivery.

Regarding tuition waivers, Ms. Glatt and Ms. McDonald will need to determine when the data point has to be set and the base to be used for calculating dollar limitation. Based on that analysis it will need to be determined whether five percent is still an appropriate limit and what are the exceptions to the limit.

Carryover Reserve Report
Mr. Gladden presented the committee report on carryover reserve. Committee members were Tamara Barber, BSC; Bruce Bollinger and Cindy Rott, NDSU; Cindy Fetsch, UND; and, Dennis Gladen, NDSCS.

According to Mr. Gladden, the MNSCU model requires campuses to carry 1.5 to 1.7 payroll periods in reserves. Several of the reasons for the requirement are:

- sudden revenue shortfall
- unanticipated expense
- some financial protection
- national best practices

The committee report included the following recommendations:
• consider the NDUS adopt carry forward reserves for appropriated funds similar to MNSCU
• consider having the NDUS adopt financial ratios and calculation method that are used by HLC including the CFI factor
• consider tying presidential performance to achievement of carry forward targets and financial ratios.

In response to a question from Mr. Clark, Mr. Gladden and Mr. Bollinger said the CFI has been part of the Higher Learning Commission’s criteria for several years now. They use this information to assess the institutions viability.

Ms. Glatt suggested the NDUS include the CFI index in the annual financial review report prepared by the NDUS Office.

In response to a question from Ms. Glatt, Mr. Gladden said that while he doesn’t know exactly what MNSCU’s process is to access those funds, he said they do have some flexibility as to how to spend those reserves.

Ms. Glatt suggested that this issue be brought to the Cabinet at their next meeting on September 25, for a general discussion. In the meantime, the NDUS Office will work with the campuses to determine current reserve status in relationship to the 5-7% goal. This information will be available before the next Admin. Affairs Council morning, at which time the Council will come to a final recommendation.

Ms. Glatt stressed the importance of being very clear in the presentation about the need for reserves and explaining how this fits with unrestricted net assets. We need to be transparent about any and all reserve balances and provide a complete picture.

**Global Service Indicator**
Ms. Glatt reported that there is still support for proceeding with the student finance and financial aid global service indicators; however, there are still questions about the CND set up and appearance that are being discussed. Ms. Glatt asked Mary Eisenbraun from BSC to schedule a meeting with the committee to resolve any outstanding issues prior to the September 25 Cabinet meeting.

Ms. Glatt also reported that there is some interest on the part of some, to delay implementation of some or all or to have it apply only prospectively. These issues will also be resolved prior to the Sept. 25 Cabinet meeting.

**1098T Fine**
Mr. Pytlik asked the group if their institution received letters from the IRS regarding an issue with possible addendums. The issue appears to be that the IRS does not have SSN’s for some the 1098T and 1099 forms. Ms. Hegstad and Janice from DSU will work through the student finance user group and prepare a response for each campus, which will include an explanation of why it happened and what we will doing in the future to fix the problem.
Meeting adjourned at 3:17 p.m.

**Future Meeting Dates:**
- October 15, 2013
- November 19, 2013
- January 7, 2014
- February 4, 2014
- March 4, 2014
- April 1, 2014
- May 6, 2014
- June 3, 2014
- July 22-23, 2014 retreat
- August 5, 2014
- September 2, 2014
- October 7, 2014
- November 4, 2014
- December 2, 2014