

**MEETING OF THE
FINANCE AND INFRASTRUCTURE COMMITTEE**

Board of Regents for Higher Education

Wednesday, June 6, 2018

10:00 a.m.

61 Woodland Street, Hartford, CT

Minutes

REGENTS PRESENT

Richard Balducci, Committee Chairman

David Jimenez (Telephonic)

JoAnn Ryan

REGENTS ABSENT

Del Cummings

Felice Gray-Kemp

Catherine Smith

CSCU STAFF PRESENTING

Mark Ojakian, President; Erika Steiner, Chief Financial Officer

With a quorum present, Chairman Balducci called the meeting to order at 10:02 a.m.

1. Approval of Minutes from the April 25, 2018 Meeting

Regent Jimenez moved, seconded by Regent Balducci, that the minutes of the April 25, 2018 meeting be approved. The motion was carried with Regent Ryan abstaining.

2. Action Items

**2A. Three Rivers Community College – MOU for Advanced Manufacturing Program
Space at Ella Grasso Technical High School**

CFO Steiner commented on Three Rivers Community College request to execute a MOU with Ella Grasso Technical High School. The Connecticut State Colleges and Universities is seeking to expand its partnership with the Connecticut Technical Education and Career Services (CTECS) department to help meet the need for highly skilled advanced manufacturing workers in the Eastern region of the state. Through grants and loans provided by the state, Electric Boat (EB)

division of General Dynamics is expected to continue to expand operations. Among other incentives is a package including an \$8 million grant which EB is required to allocate to workforce training efforts at the State's technical high schools and community colleges. This will benefit Three Rivers Community College in providing educational support to EB and its manufacturing suppliers as part of a manufacturing pipeline program launched 2 years ago by Eastern Connecticut Workforce Investment Board.

Three Rivers is planning to launch a pipeline training program in the new Ella Grasso Technical High School beginning in September 2019. The college seeks to utilize space at Ella Grasso and make modifications as necessary to the facilities, and purchase equipment required for instruction. As Three Rivers already utilizes space at the Ella Grasso site for training programs, it was determined that expansion of teaching capability at this site would be the easiest and most cost-effective solution to meeting the industry needs. The construction and equipment costs are intended to come from two separate sources, \$800,000 from Capital Equipment Bond funds and \$350,000 from resources set aside for TRCC Manufacturing project. The revenues are expected to be in excess of costs of the program in the first year of operation.

Regent Ryan moved, seconded by Regent Jimenez, that the MOU for Advanced Manufacturing Space at Ella Grasso State Technical High School be approved. The motion carried.

2B. Southern Connecticut State University – Extension of Lease Term with Verizon Wireless for Antenna

CFO Steiner noted that the former CSU Board of Trustees approved a lease agreement with Verizon Wireless for use of rooftop space on Jennings Hall for a cellular communications antenna and equipment. The Board's approval was for one 5-year term with three additional 5-year extensions. Verizon Wireless has requested approval for an additional 5-year term lease with three 5-year extensions, parallel to the original contract. Except for the lease amount, all terms and conditions of the current contract will remain unchanged. With this approval the original lease will be amended to expire no later than the end of the third extension term in 2037.

Regent Ryan moved, seconded by Regent Jimenez, that the Extension of Lease Term with Verizon Wireless for Antenna at Southern CT State University be approved. The motion carried.

2C. Revision to Lease Agreement with the Ethnic Heritage Center – Southern CT State University

CFO Steiner stated that the former CSU Board of Trustees approved the leasing of space to the Ethnic Heritage Center in the Buley Library. The Ethnic Heritage Center is a not-for-profit ethnic heritage archive, museum, and research center, arising out of the two-decade-long association of five New Haven based ethnic historical societies. The Center was approved to occupy space

in Buley Library in 1991. Maintaining the collection at SCSU has created a center of artifacts and information that will be preserved for future generations as well as for use in research.

This request is to amend the location to the old Student Center and/or other future campus locations as determined by SCSU. Consistent with prior lease terms, due to the value of this resource located at the campus, SCSU will charge a nominal \$1.00 annual rent and fund minor miscellaneous utility expenses that are incidental for SCSU.

Regent Jimenez moved, seconded by Regent Ryan, that the Revision to Lease Agreement with the Ethnic Heritage Center with Southern CT State University be approved. The motion carried.

2D. MOU for Space at Eli Whitney Technical High School, Hamden – Gateway CC

CFO Steiner noted that Gateway Community College (GWCC) has an opportunity to expand their Allied Health & Nursing Department to include a new Surgical Technology Program. This program is currently offered at Housatonic Community College and the same curricula will migrate to Gateway CC. Gateway proposes to utilize existing, unused, and built-out space at Eli Whitney Technical High School to house this program. Minimal upfront costs will be required for Gateway to develop this program.

For use of the Eli Whitney Surgical Technology lab space and equipment, Gateway will provide \$2,000 annual tuition waivers to two Eli Whitney graduating high school seniors who are pursuing an education in any health science field at Gateway, in lieu of rent and operating expenses. One Eli Whitney High School graduating senior student will also be admitted into the Surgical Technology Program each year the Agreement is in effect.

Regent Ryan moved, seconded by Regent Jimenez, that the MOU for space at Eli Whitney Technical High School be approved. The motion carried.

2E. Purchase of 347 Prospect Street, Willimantic – Eastern CT State University

CFO Steiner commented on the Eastern Connecticut State University (ECSU) long-term goal of obtaining residential properties that are adjacent to the campus to increase buildable land area, enhance aesthetics and better promote the university street frontage. A single-family Victorian style building located at 347 Prospect Street has become available for purchase. ECSU's long-term plans for the site include renovating the facility to a non-residential use.

Approval for the purchase of the property for the consideration of \$65,000 is requested on behalf of ECSU, pending final approvals of the Department of Administrative Services, State Properties Review Board and Attorney General. This purchase will be funded from the FY2013 allocation of the CSCU 2020 Land and Property Acquisition Program.

Regent Ryan moved, seconded by Regent Jimenez, that the purchase of 347 Prospect Street, Willimantic be approved. The motion carried.

2F. Connecticut State Colleges & Universities (CSCU) – FY 2019 Budget/Spending Plan

CFO Steiner commented that the Finance and Infrastructure Committee were provided with information concerning SEBAC provisions and fringe benefit rate increases which were expected to impact the fiscal year 2019 budget at the April 25, 2018 meeting. These factors were used to project the FY2019 impact at over \$45M additional cost to the system. The FY2018 Mid-Year Projections and the Governor's recommended appropriations were used and no attrition was assumed for this project.

The state has finalized its FY2019 budget, and the institutions have updated their projections for FY2018. Both have been favorable to the system. The most recent FY2018 projections as calculated by the institutions were reviewed. Losses originally projected that Charter Oak State College would use up reserves completely in FY2019. OPM and legislators responded to management's concerns, helping the FY2019 budget situation for the college. Additional structural changes were undertaken to secure COSC's financial position and the college's management team continues to evaluate strategies to improve enrollment and revenues. The State Comptroller's office allocated \$16.2M to the Community Colleges to offset the impact of the significant increase in fringe benefit rates and the inability of the colleges to raise tuition and fees enough to cover the large operating fund impact. However, the general fund appropriation for the Community Colleges has been decreased by \$6.2M. The State Universities funding has improved by \$4.1M from prior year and remains flat with the Governor's February recommendations.

With the improved outlook for FY2018 as reported by the institutions, and with the additional state funding provided in the final state budget, the FY2019 budget is improved from the projections provided to the Finance Committee in April while still unfavorable in many respects.

The current FY2018 projections have improved from the February projections but continue to indicate a loss for the year for the Community Colleges of \$6M and for Charter Oak. The State Universities are projecting a break-even for the year. Management will continue to look for administrative cost savings and the ability to reprioritize spending to best serve students.

President Ojakian thanked Sean Bradbury, Director of Government Relations, for his advocacy in obtaining relief money for employee fringe benefits at the Community Colleges.

Regent Jimenez raised a question about the Foundation's role in helping to provide money to their respective institutions.

CFO Steiner provided an analysis on Unrestricted Net Position obtained from the audited financial statements, less adjustments for GASB 68, Pension Liability. Based on the estimated expenditures for FY19, it would leave the State Universities, Community Colleges, and Charter Oak with 0.67, 0.63, and 0.15 months of operating expenses in unrestricted, undesignated reserves on hand at the end of FY19.

Although projections are slightly improved over earlier estimates due to improved state funding over expectation, and continued cost cutting by the institutions, the path forward still requires cost cutting measures in certain areas.

Regent Jimenez moved, seconded by Regent Ryan, that the FY2019 Budget/Spending Plan for the Connecticut State Colleges & Universities (CSCU) be approved. The motion carried.

3. Information Items

3A. CSCU – Update on Administrative Cost Savings Plan

President Ojakian commented on the strategy to address the structural fiscal deficit of the Connecticut State Colleges & Universities and the cost saving options to ensure that the institutions maintain a sustainable fiscal future. A systemic enrollment strategy will be approached with each community college cooperating with one another and sharing services. Structural changes will occur down the road with curriculum alignment, a single application and one website for all institutions.

CFO Steiner noted that at the April 6, 2017 meeting, the Board of Regents endorsed two strategies proposed by President Ojakian 1) An administrative consolidation involving all seventeen institutions and the system office targeting \$13.26M in savings. 2) The consolidation of the twelve Community Colleges into one college, targeting a \$27.65M savings. The original target of \$13M included some overlap with the college consolidation. A revised target of \$11.2M was presented to the Committee after eliminating the overlap and updating some of the initiatives.

After receiving authorization from the Board, management submitted a Substantive Changes Request to the New England Associations of Schools and Colleges (NEASC) and to its Commission of Institutions of Higher Education (CIHE), seeking approval for a singly accredited college to enable CSCU to pursue strategy 2. The Commission's response indicated that the format of the request was not appropriate due to the magnitude of the proposed changes, and that the proposal as provided was not adequate to support a single college accreditation.

After advice, deliberation and evaluation, management has determined that the best solution is to continue to work towards the single college path for the Community Colleges in phases. The decision to move forward addresses not only fiscal concerns and declining enrollment, but priorities that must support student success. Management will work to prepare the

organization to demonstrate readiness for the single accreditation and assuring there is not only no disruption, but a measurable benefit, to students under this organizational structure.

Key attributes of the consolidation includes consistent practices and procedures among the 12 campus; seamless movement by student among locations; improve student success through implementation of best practices; full adoption of Guided Pathway to support students in completing credits, transferring, and attaining jobs; consolidating general education curricula, but accommodating desired differences and options to best serve community and employer requirements and student demand; ensure financial stability through cost savings, but deploying funds where needed.

An analysis was provided on moving forward with the established new Phase 1 target under a reduced framework. In order to maintain accreditation at the twelve community colleges, each must have a chief executive officer, a chief academic officer, and a chief financial officer. The organization structure proposed will respect the positions and related responsibilities for institutional accreditation, but seek to consolidate the support activities and share services. Phase 1 of a longer term consolidation plan estimates savings of \$17.3M based on FY17 year-end data.

President Ojakian thanked CFO Steiner and the team for their engagement in this work. He noted that the numbers represent savings and do not create new revenue. The approach is to make the System sustainable in the future. The elements will be presented to the Academic & Student Affairs committee and the full Board.

There being no further business, on motion of Regent Ryan, seconded by Regent Balducci, the meeting adjourned at 11:59 a.m.