

**MEETING OF THE
FINANCE COMMITTEE**

Board of Regents for Higher Education
Tuesday, September 10, 2013, at 10:30 am
Community Room
61 Woodland Street, Hartford CT

Minutes

REGENTS PRESENT

Gary Holloway, Chair, Finance Committee
Richard Balducci
Matt Fleury
Rene Lerer (Telephonic)
Catherine Smith (Telephonic)

CONNSCU REPRESENTATIVES

Mary Papazian, President, SCSU; James Blake, Executive Vice President, SCSU; Charlene Casamento, Chief Financial Officer, CCSU; Paul Reis, Vice President for Finance & Administration, WCSU; Cliff Williams, Chief Financial Officer, COSC; Paul Martland, Dean of Administration, QVCC; Charles Cleary, Dean of Administration, TCC; Steven Frazier, Dean of Administration, NWCC; Robert Sheeley, Associate VP for Capital Budgeting & Facilities Operations, SCSU; James McDowell, Dean of Administration, MCC; Jill McDowell, Director of Finance, GCC

CONNSCU STAFF

Liz Caswell, Chief of Staff; Jim Howarth, Interim Chief Financial Officer; Elaine Clark, Vice President for Facilities & Infrastructure Planning; Juliet Manalan, Director of Public Relations & Marketing; Karen Stone, Director of Internal Audit; Melentina Pusztay, Interim Budget Director; Erin Fitzgerald, BOR Secretary; Rosalie Butler, Administrative Assistant

GUESTS

Kerry Kelley, OPM; Kathleen Megan, The Hartford Courant; Jacqueline Rabe Thomas, CT Mirror

With a quorum present, Chairman Holloway called the meeting to order at 10:44 am.

1. APPROVAL OF MINUTES FROM THE JUNE 13, 2013 SPECIAL MEETING

The minutes of the June 13, 2013 special meeting were unanimously approved, as written.

2. INFORMATION ITEMS

A. Use of Reserve Funds and Insurance Proceeds as Supplemental Construction Funding to Renovate the Second, Third and Fourth Floors of Buley Library at Southern Connecticut State University

Chairman Holloway turned to VP Clark for further explanation. She provided a synopsis of the Buley Library construction timeline to date. SCSU now wishes to complete the build-out of the second, third and fourth floors. The completion of the second, third and fourth floors will consolidate Southern's use of Buley and also reduce unresolved space deficits documented in Southern's 2004 approved Master Plan. VP Clark offered the following project information:

Current cost estimates for the completion of floors two, three, and four assume that funding will be available in late 2013.

The second floor has been bid and carries a cost of \$1,832,644. The number will remain valid until the end of the current construction project.

Costs for the third and fourth floor have been estimated by the BOR's project Construction Manager and are "order of magnitude" numbers. The estimate to renovate the third and fourth floors is \$4,850,000. This number will change after the floors are bid in late October 2013.

Furniture for the complete project is estimated at \$1,356,768.

The total estimated cost to complete the Buley Library project (second, third and fourth floors and furniture) is \$8,039,412 (comprising \$6,682,644 for construction and \$1,356,768 furniture and equipment).

Identified opportunities to fund the second, third, and fourth floor build-out are:

1. \$2,546,369.30 Uncommitted Buley insurance proceeds (operating funds)
2. \$5,493,042.70 Southern's Unrestricted Fund Balances
= \$8,039,412

VP Clark explained that CSU Fund Balance Guidelines stipulate use of fund balances greater than \$250,000 requires Board approval. In addition to BOR approval, State statute requires legislative approval if "repairs, alterations or additions" to University facilities supported by the operating fund cost one million dollars or more. Legislative approval is through the Finance Advisory Committee when the legislature is not in session.

President Papazian stressed the importance of the library to any college campus. She indicated that while no additional space would be gained through the improvements, SCSU looked forward to the completion of a "21st Century" library in 2015.

BOR staff plan to submit the following requests for approval to the Finance Committee and full Board in November, after floors three and four have been bid:

Approval for Southern to use \$5,493,042.70 from its operating reserves to fit out floors 2 through 4 of the Buley Library (this number may change depending upon bid results for floors three and four); and

Approval for Southern to use \$2,546,369.30 from Buley Library flood insurance proceeds for the same purpose; and

Approval to submit the above two items to the Legislature's Finance Advisory Committee in December 2013.

B. Projected Impact of Increased Fringe Benefit Expenses on FY14 Budget

Chairman Holloway explained that two years ago, a state labor arbitrator ruled the public colleges and universities must offer employees a second opportunity to convert to the State's pension retirement system, as opposed to the Higher Education Alternative retirement plan, in which many are currently enrolled. He turned to Interim CFO Howarth for more detail on the expected budgetary impact.

CFO Howarth indicated that as more employees exercise their option to convert, the BOR will be paying significantly more each year toward the state's pension plan, known as the State Employees Retirement System (or SERS). Under the Alternative retirement plan, the required annual contribution for the state is 11.2 percent of each employee's salary. Under SERS, the required contribution is 54.71 percent. Preliminary numbers indicate 335 employees have switched plans and there is no way to predict how many more may do so. The IRS has yet to make a determination as to whether converting to the pension plan will be considered a taxable event for the employee. Using actual payroll expenses from fiscal year 2013 and assuming a 5% increase in pay for Fiscal Year 2014 and actual benefit rates, the projected increase in fringe benefit expenses is anywhere from \$18 - \$20 million. Adjusted after increased state funding of fringe benefits for General Fund employees, the net impact is reduced to \$5 - \$6 million. The projections will continue to be refined with actual payroll data and updated retirement conversion information.

3. ACTION ITEMS

A. Authorization to Sign Documents for the Board of Regents for Higher Education, the Connecticut Community Colleges, Charter Oak State College, and the Connecticut State Universities

CFO Howarth advised that, consistent with its statutory authority, the Board of Regents has identified those positions whose incumbents would be authorized to sign official documents for the ConnSCU System, and the type of documents to which the authorization applies. The recent restructuring of the System Office and resultant title changes to certain positions require this policy to be revised.

The resolution was unanimously approved on a motion by Regent Balducci, seconded by Regent Fleury.

Regent Lerer left the meeting at 1:15 AM.

B. Pilot Partnership Agreement Between the Connecticut State Universities, Charter Oak State College and United Technologies Corporation

Chairman Holloway turned to CFO Casamento for further explanation. She indicated that since the publication of the meeting materials, agreement had been reached with UTC to extend the pilot partnership to include Charter Oak State College, in addition to the four State Universities. She allowed there may be further opportunities to add the Community Colleges in the future.

CFO Casamento explained Regents' approval is sought to enter into a two-year pilot Partnership Agreement with the United Technologies Corporation through their Employee Scholar Program. Under the terms of this agreement, CSU and Charter Oak will be among 22 preferred providers of higher education for UTC employees, for whom the corporation will pay all tuition and course fees. The field of 22 includes other Connecticut Higher Education Institutions such as UCONN, Albertus Magnus, Fairfield University, University of New Haven, Sacred Heart and University of Hartford.

CSU and Charter Oak will offer UTC employees a 5% discount on tuition, or a total discount of approximately \$28 per undergraduate and \$47 per graduate for a three-credit course. While UTC receives a discount, CSU and Charter Oak eliminate the risk they might otherwise incur of no-shows, non-payment, collection activities, or bad debt expense. In addition, both CSU and Charter Oak would be showcased on a UTC website as a preferred education partner. There would also be a positive impact on the 15% financial aid set-aside, because the employer funds 100% of tuition and fees.

CFO Casamento suggested the agreement may help to boost student enrollment at a time when the pool of prospective traditional-age students is projected to shrink. The agreement may also help the universities and COSC become more competitive in attracting non-traditional students in Connecticut.

A two-year term for the pilot partnership agreement is proposed, during which enrollments and tuition revenues will be monitored. A report will be provided to the Board of Regents annually. Chairman Holloway stressed the need for integration with the business sector.

The Pilot Partnership Agreement was approved on a motion by Regent Balducci, seconded by Regent Fleury.

The meeting was adjourned at 11:30 a.m., on a motion by Regent Balducci, seconded by Regent Fleury.