



**MINUTES  
BOARD OF TRUSTEES' MEETING  
March 11, 2011  
Panorama Room, University Center**

The meeting of the University Of Northern Colorado Board Of Trustees was held Friday, March 11, 2011 at 8:40 a.m. in the Panorama Room, on the University of Northern Colorado Campus.

Those present included:

Trustees: Dick Monfort, Dick Gast, Carlotta LaNier, Darlene LeDoux, Dee St. Cyr, Vish Iyer, Michael Johnston

Officers and Administrators: President Kay Norton, Vice President and General Counsel Dan Satriana, Provost Abe Harraf, Senior Vice President Michelle Quinn, Vice President for University Relations Chuck Leonhardt, Vice President for Development Vicki Gorrell

UNC staff/ faculty/students:

Steven Luttmann, Michael Stadler, Julie Tacker, Matthew VanDriel, Recording Secretary Vicki Niccum

**ACTION ITEMS:**

**1. Approval of Agenda**

Trustee Lanier moved to approve the agenda for the meeting. Trustee St. Cyr seconded the motion. Motion carried unanimously.

**2. Approval of Minutes**

Trustee Gast moved to accept the minutes of the February 11<sup>th</sup> meeting as presented. Trustee Lanier seconded the motion. Motion carried unanimously.

**3. Board Planning Calendar**

No changes

**4. Board Chairman's Report**

None

## **5. Trustee Remarks**

Go Bears and great job Coach Hill! Trustee Gast complimented the basketball team and reinvigorating school spirit, recognition and exposure for the university. Trustee LeDoux also thanked Director Jay Hinrichs for his leadership and commitment to the university.

## **6. President's Report**

Great success for our men's basketball team. Our women's team is competing in the Big Sky tournament which will end in a berth to the NCAA Women's National Tournament.

Jay Hinrichs extended an invitation to the Board to participate in an event at Butler Hancock on Sunday, 3:30 p.m. to watch where the men's team is headed during the NCAA tournament. There will also be a similar event on Monday for the women's team.

State funding prospects are unfolding as anticipated. Thursday was figure setting for the state overall appropriation, which is at \$519 million level. This was recommended by Governor Hickenlooper. We continue to manage the funding cliff by building a bridge that uses three sources of funding:

- 1) revenue generation
- 2) cost containment
- 3) reserves

These will be part of the draft budget which will be presented to the Board in May and final action in June. The revenue portion and undergraduate pricing is a building block for the fiscal 2012 budget. We continue to move toward integrated decisions, control finances of the institution, as well as connecting budgeting and planning in a logical way. We will need clear direction from the Board on undergraduate pricing. This is not a final action, but we need clarity on our direction which is consistent with our Financial Accountability Plan. We would like to begin communications with students, parents and this will allow us to make financial aid offers on a competitive timeline. The President plans to send out a letter to students on what we anticipate the costs to be, so that they can prepare.

Senate Bill 3 allowed for flexibility of institutions and this legislation recognized that the Federal ARRA funds were going away. These had been backfilling Higher Education budgets and would intensify pressure on tuition. The law allowed us to prepare a Financial Accountability Plan (FAP) that was an up to five year plan that we anticipated that we might need to raise tuition more than 9% annually, in order to face the budget hole. The CCHE approved a two year plan for UNC and in the next two years our FAP projected tuition increases of 15% in each year. As long as we are within the range of what was approved, which was a 15% average across the board for the next two years. The legislature for the five year effective date of SB3 will not be setting tuition in the appropriations bill as in the past. Chairman Monfort asked if there were any requirements regarding how much should be set aside for aid or scholarships. The President responded yes and that SVP Quinn will speak to this in her presentation.

## 7. INFORMATION ITEMS:

### **UNDERGRADUATE FY12 PRICING RECOMMENDATION (Quinn)**

We are currently operating within the authority of the SB3, FAP process. In addition we continue to connect our budget process to our on campus planning. The multi-year financial plan was not just for the purpose of meeting SB3 and FAP, but to align our finances with this. We assumed in FY12-13 we would experience a \$10.5 million loss in State funding. Higher Education figure setting budgeting for UNC is a \$7.8 million loss of funding for next year; which is our \$32.8 million share of the overall higher education budget of \$519 million. In building the bridge we are also looking at cost reductions and the multi-year financial plan included a cost reduction totaling \$5 million over a three year period. We are targeting a \$1.5 million reduction in costs for FY12; these are permanent cost savings and will be in the budget in May. In our multi-year financial plan we assumed a use of \$10 million in reserves over the next few years and \$6.5 million in the upcoming budget year. Our maximum average undergraduate tuition rate increase for FY12-13 is 15%, which within the authority that we have already received by going through the CCHE process. In our FAP there is a commitment to \$4.1 million in need based resident undergraduate financial aid and we are looking at putting in \$4.4 million.

There was a review of the recommended rates for annual increases. For full-time resident students we are looking at a base tuition increase of 13.2% or \$620 per year increase. Nonresident full-time students it would be a 6% increase or \$958 per year. Part time students the increase would be less and a resident part-time student would see a 9% and the actual dollar amount depends on the number of credits being taken. A non-resident part time student increase would be 3.5%. We look at differential tuition as a way of aligning the price that students pay for the value that they receive. Technology fees and library fees will increase 1.9%, and then room and board rates an average of 5% or \$593. Our average resident tuition increase is 14% and this is in compliance with the FAP of 15%. The number that is most widely reported is what does a resident full time student pay compared to last year? This number is 13.2% base percentage and increase of \$620.

Trustee LeDoux asked what the percent increase, overall resident tuition rate increase, including base rate, window closure and differential was last year? SVP Quinn reported that this would have been 9% for the past two years. We are now going from 9% to 14%, which depends on the type of program the student is in. Trustee LeDoux expressed concern, about the impact on families, and that raising tuition up towards 15% should not be our goal. SVP Quinn stated we are looking to increase our institutional financial aid from \$2.4 million to a total institutional aid of \$14.8 million. When we project total tuition and fees for next year and look at what other institutions might do UNC's price is \$6873 which is lower than CU Boulder (\$9181), the University of Colorado in Colorado Springs (\$8015), CSU (\$8214) compared to UNC. Metro will continue to be lower priced, however UNC has higher graduation rates than Metro and cost structure. We need to consider what actions we can

take with a \$7.8 million loss in state funding and how we keep the price as low as possible, but continue to provide services that make our students successful. Chairman Monfort shares these concerns as well. He mentioned that if you were to take \$7.8 million, divided by 10,000 students the increase would equate to \$780 per student. There are two choices 1) cut \$7.8 million in expenses or 2) raise \$7.8 million in revenue or 2) a combination of the two scenarios. A larger concern is a shift of students to Metro or community colleges and that we do not have the enrollments that we are projecting over the next few years; which creates additional problems.

Trustee LeDoux asked about proposed salary increases and in light of the current fiscal health this should be re-evaluated. SVP Quinn responded that we are looking at our total compensation package (salaries, cost of health insurance, retirement, etc.). This will be the third year with no salary increases. President Norton shared that state employees will not be receiving an increase and PERA changes impact take home pay. We are also reviewing the corrosive effect of this on employees. Trustee Gast asked where the \$1.5 million in cost saving will be coming from. President Norton responded that we have outlined university priorities through sustainable cost savings. There have been strategy sessions with governance groups and administrators and we are looking at genuine reductions (e.g. staffing, possible restructuring and other sources of expenses). Trustee St. Cyr asked for clarification on proposed tuition increases and what is the feedback from the student body? Trustee Johnson shared that most student view it as necessary and that students would not change course due to an increase. Previously students were more passive about the university structure of budget and fees; however students understand that efforts are being made to reduce burden.

Discounted revenue is new for public higher education and in FY12 rate increases would generate an additional \$6 million resident tuition and \$900k of non-resident tuition. This discussion today will not include the effect of any enrollment changes. There is \$6.9M in gross revenue and \$2.4 million into additional institutional financial aid and net revenue of \$4.5 million from undergraduate pricing increase. Trustee Gast asked if there is a population of students whose need for financial aid is driven by the increase. SVP Quinn responded that discounting is tied to market segments. We look at our student population by their academic performance on entry and their level of income, which is only one segment. Merit aid is a component that helps us recruit and retain students. There are approximately thirty different types of institutional financial aid and finding the right mix to attract students. Trustee St. Cyr asked how \$14.8 million compares over previous years in student financial aid. SVP Quinn responded \$12.5 million of aid for undergraduates.

Chairman Monfort asked for a show of support for the tuition increase being proposed. The university due to the size of the increase will need to begin communication to students. There was no objection from the Board and no vote was taken.

### **SABBATICAL LEAVE REQUESTS (Harraf)**

Provost Harraf reported that we will not be adding expense to the budget and that if the programs can cover the cost of the sabbaticals then we will accommodate these requests. President Norton observed that the type of sabbaticals, range of research, scholarship shows a range of excellence at UNC.

### **PERSONNEL INFORMATION ITEMS (Harraf)**

These are new appointments made prior to the hiring freeze going into effect.

### **FACULTY SENATE Report – Steven Luttmann**

- 1) Policy changes are being made to University Regulations that will accommodate rule structures.
- 2) Senate passed a resolution to encourage students and faculty to use the university email system to communicate.
- 3) Approval of a replacement of grade replacement forgiveness policy. Students could retake up to 12 hours of courses for a better grades (C or less). The old grade was averaged in with the new grade for the GPA. The new grade now replaces the old grade for GPA calculation. The old grade remains on the transcript. We believe this encourages student responsibility and will be effective beginning this fall.
- 4) Constitutional amendments will be voted on at the end of March. One amendment replaces languages, quorum percentage at meetings, reporting responsibilities between boards and councils to the senate. We expect this to result in better communication between governance bodies across campus with faculty.
- 5) They have had positive discussions with the President on sustainable cost saving.
- 6) Steven has been asked by Michael Muskin to collaborate with UNC the Alumni center's Charitable Giving Campaign.

### **STUDENT SENATE Report – Michael Johnston**

- 1) The student judiciary that was approved last year finished filling the five positions.
- 2) It is election season, which will begin after spring break. There are more candidates running this year than at any previous time in the past six years.
- 3) They are working through the student allocation process which finishes after Spring break.

### **PASC Report – Julie Tacker**

- 1) Surveyed professional exempt employees on their opinions of the (2%+) PERA contribution increase coming up in July. They appreciate the Administration's support.
- 2) They continue to focus on community service projects (e.g. meals for Guadalupe shelter and Operation Shoebox – perhaps around the 4<sup>th</sup> of July)
- 3) Nominating PASC employee of the year

### **SPEEC Report - Michael Stadler**

- 1) Michael Muskin invited them to participate with the Foundation and the Giving Campaign.
- 2) Employee service awards banquet will be held on April 11.
- 3) Constitutional revision process is still under way, April 18 nominations and elections will be held.
- 4) Staff council presented a resolution to the Board of Trustees on the 2.5% PERA swap.
- 5) Michael is serving on the Compensation Committee. Salaries and compensation has been part of their discussions. There is also concern regarding pay increases in light of the tuition increase.

## **8. BOARD ACTION ITEMS:**

### **Spring 2011 Bond Options and Resolutions (Quinn) (Tab E)**

President Norton discussed the institution bonds and bonds associate with the 2001 Arlington Park project. The property is on our books as part of our bond rating and credit scores. We had to guarantee these bonds, which have since expired. The cash flow was intended to go into scholarships for students but has never materialized; the project did not perform as expected. The cost of operation is dipping into reserves, because operating costs are up and revenues down; therefore we need to determine if this should be part of our portfolio for student options.

SVP Quinn shared a summary and resolution. Kutak Rock has been monitoring our investments and refinancing our bonds for many years. Arlington Park is off of our balance sheet; however we are required to report it on our annual report. In 2001 we issued \$50 million in auxiliary bonds. Of this \$50 million, \$30 million was advanced refunding of our refinancing the '97 bonds and \$20 million was for construction, parking improvements, etc. Once you have refinanced bonds once you cannot do it again. Arlington Park bonds are \$24 million and the liability belongs to the Housing LLC and the Foundation is the sole member of the Housing LLC. When a bond rating agency looks at us, they look at the debt on our books. The debt service for this \$24 million is \$1.5 million per year. In 2010 the cash inflows were \$2.2 million and there are significant cash flow pressures on the project. For the first time they will need to dip into their operating reserves in order to cover expenses. They have a \$1.1 million cash operating reserve held in trust and expect to withdraw approximately \$300k to meet ongoing expenditures. We are looking at \$70 million in refinancing and by refinancing all of this there is significant savings.

There are two options for consideration:

- 1) Option 1. Refunding most if not all of the universities \$46 million. The final decision would be delegated to a pricing committee. We are also considering dissolving the Housing LLC as a legal entity, the University would issue debt and assume the assets of the LLC. It would come fully onto our balance sheet and this does not change our credit rating. Arlington Park Housing LLC has a contract through 2012, so UNC would assume that contract and this would be a future discussion. Our motivation and intent is to simplify the legal structure and ensure the success of the project, in addition we need to

mitigate the loss. For the Auxiliary bonds it would have to be a 3% minimum present value savings and on the Arlington Park bonds it would have to be a minimum of \$50k of cash flow savings for the first five years and a minimum 1% present value savings.

Option 1, is the recommendation being made.

- 2) Option 2. Take the same scenario but add variable rate bonds. Variable rate debt adds complexity to the portfolio; it needs to be actively managed and adds some risk. The interest on variable rate bonds is paid monthly instead of semi-annual. Any of the bond holders that have variable rate debt, have the option to put the bonds back to the issuer. This adds an additional requirement for the university to have liquidity to cover this scenario. For UNC we would have a bank letter of credit and remarketing agent.
- 3) Option 3. Focusing on the 2001 Auxiliary bonds and not Arlington Park.

There would be two parts to making this decision. The first is refunding the fixed bonds at fixed rates and part two is bringing Arlington Park fully onto our books and refunding this at fixed rates.

Fred Marienthal – Kutak Rock (our bond counsel) gave a summary of the Bond Resolution. They provide an opinion on bonds or debt that is validly issued and under state law this interest is tax exempt under income tax code. In addition the way we have disclosed ourselves to the marketplace is correct under securities laws and offering document has no mis-statements, omissions on the transaction.

The resolution being presented has been amended and restated. Parameter resolutions have a one year shelf life under Colorado law (refer to PowerPoint presentation for overview of key points).

- a) Authorization of issuance of Series 2011 Bonds
- b) Application of Series 2011 Bonds
- c) Parameters and delegation
- d) Documents authorized for execution
- e) Security for the bonds
- f) State intercept program
- g) Resolutions covenants
- h) Funds and accounts
- i) Events of defaults
- j) Remedies

Action required today is the adoption of the resolution as drafted and identifies members of a Pricing Committee. Motions identified include:

Motion 1:

Trustee Gast moved that, consistent with Option 2 as described on page 7 of Tab E to the March 11, 2011 Board of Trustees' Meeting Agenda, the University pursue the steps necessary to issue bonds refunding both the 2001 Auxiliary (either in part or in full) and 2001 Arlington Park bonds (in full), including working with the University of Northern

Colorado Foundation to accomplish the dissolution of the University of Northern Colorado Foundation Student Housing LLC I (“Housing LLC”) and transfer of Housing LLC’s interest in the Arlington Park Apartments to the University, and that the final decision on the type of bonds issued and all other matters attendant to their issuance is delegated to a pricing committee, consisting of Chairman Monfort, Trustee Gast, Trustee Johnston, President Norton and Senior Vice President Quinn. Trustee St. Cyr seconded the motion. The Motion carried unanimously.

Motion 2:

Trustee LaNier moved that the Amended and Restated First Supplemental Resolution contained within Tab E to the March 11, 2011 Board of Trustees’ Meeting Agenda, be adopted and approved. Trustee St. Cyr seconded the motion. The Motion carried unanimously.

**Faculty Senate Action #998 (Harraf) (Tab E)**  
Changes to policy and adding departments

Trustee Gast moved to approve the Faculty Senate Action. Trustee LeDoux seconded the motion. Motion carried unanimously.

## **EXECUTIVE SESSION**

Not required

## **PUBLIC COMMENTS**

## **ADJOURNMENT**

Chairman Monfort motioned to adjourn the regular meeting of the UNC Board of Trustees at 11:05 a.m.

Respectfully submitted by:

Victoria Niccum  
Recording Secretary