BOARD OF TRUSTEES
FOR THE
CONNECTICUT STATE UNIVERSITY SYSTEM

MINUTES
SPECIAL MEETING VIA TELECONFERENCE
originating from
System Office Boardroom, 39 Woodland Street, Hartford, CT 06105
February 10, 2010 – 10:00 a.m.

TRUSTEES PRESENT VIA TELECONFERENCE
Karl J. Krapek, Chairman
Richard J. Balducci, Vice Chairman
Theresa J. Eberhard Asch, Secretary
Michael A. Caron
John A. Doyle
Elizabeth S. Gagne
Angelo J. Messina

John H. Motley
L. David Panciera
Ronald J. Pugliese
John R. Sholtis, Jr.
Andrew R. Wetmore
Gail H. Williams

TRUSTEES ABSENT:
Andrew Chu
Fr. John P. Sullivan
Kolby Williams
Alex Rodriguez
Peter M. Rosa

OTHER OFFICIALS PARTICIPATING VIA TELECONFERENCE
David G. Carter, Chancellor, Connecticut State University System (CSUS) (at System Office)
Jack W. Miller, President, Central Connecticut State University (CCSU)
Elsa Nuñez, President, Eastern Connecticut State University (ECSU)
Cheryl J. Norton, President, Southern Connecticut State University (SCSU)
James W. Schmotter, President, Western Connecticut State University (WCSU)

STAFF TO THE BOARD
Erin A. Fitzgerald, Associate for Board Affairs (at System Office)

CALL TO ORDER
Chairman Krapek called the meeting to order at 10:00 a.m., declaring a quorum participating.

OATH OF OFFICE
Chairman Krapek administered the oath of office to Michael Caron and welcomed him to the Board. Trustee Caron indicated he was honored to serve on the Board of Trustees and would be joining Board Committee meetings in advance of receiving his committee assignments from the Chairman.
ADOPTION OF AGENDA

Chairman Kragek requested a motion to adopt the agenda as presented noting that as the meeting was designated as a Special meeting, therefore, no additions to the agenda could be made in compliance with FOI regulations. **Trustee Sholtis so moved; with a second by Trustee Balducci; the agenda as presented was unanimously adopted.**

APPROVAL OF MINUTES

**Chairman Kragek requested a motion to accept the Minutes of the December 10, 2009 Special Session meeting; Trustee Panciera moved; Trustee Messina seconded; motion unanimously passed.**

AUDIT & RISK MANAGEMENT

Committee Chairman John Sholtis noted that the Audit and Risk Management Committee met on Thursday, February 4th and had four information items to report.

1) The Committee received a report that all employees that were required to receive annual training System wide under Gramm-Leach-Bliley Act, have received the necessary training or, for those few that have not already been trained, are on schedule to receive that training. The Gramm-Leach-Bliley Act requires that financial institutions, including colleges and universities, develop, implement and maintain a comprehensive security program to sensitive customer information or data.

2) The Committee also received a report on the results of physical security inspections that the Systems Office had undertaken at all four universities which concluded that controls were appropriate at each of the Universities to safeguard physical assets with only minor exceptions;

3) Mr. Mitch Knight, the director of Internal Audit, reported on the status of Internal Audit activities.

4) Finally, the Audit and Risk Management Committee met with representative of PricewaterhouseCoopers on the completion of their audit of the fiscal 2009 Combined Financial Statements for the Connecticut State University System.
   i. PwC confirmed their independence and that their audit was performed in accordance with auditing standards generally accepted in the U.S.
ii. PwC issued an unqualified opinion, what is commonly called a clean opinion, on the combined financial statements

iii. PwC confirmed that they were given full and complete access to the books, records and management of the System Office and that of the four universities noting that the Chancellor and his staff were all fully cooperative

iv. PwC reviewed significant accounting estimates, including employee compensated absences, as well as allowances for past due student accounts receivable and student loans receivable

v. A high level review of information systems internal control matters was performed at all four universities, and at the Systems Office

vi. There were no unadjusted audit differences, and no disagreements or discussions of major issues with management. There were only two small audit adjustments made during the audit, each under $500K, to correct deferred student activity fees at WCSU ($306k in lower student activity fee revenue) and to correct maintenance expense at the System Office ($133k in lower telecom maintenance expenses).

vii. CSUS changed its method of accounting for library materials to recognize the depreciation of these materials on a straight line basis over their estimated useful lives, previously the assets were retained at book value until the expiration of their useful lives, when they were written off. The adjustment to reflect the cumulative effect of this change in accounting principle was a reduction in net assets of $21.7 million as of July 1, 2007.

Committee Chairman Sholtis noted that as is their practice, PwC also issued their Report to Management with recommendations to improve internal controls in certain areas.

- Importantly, there were no material control weaknesses nor significant deficiencies
• There were only two new control comments that were identified as high priority, relating to segregation of duties of software developers and formalizing controls over change management and systems development work

• PwC noted continued improvement in control environments at all locations
  o 6 of 11 prior year comments were resolved in FY2009, and there was substantial progress reported on all remaining open comments.

Prior to introducing Lee Leahy, the lead PricewaterhouseCoopers on the CSUS engagement, Committee Chairman Sholtis added that the Audit and Risk Management Committee would like to thank the Chancellor and each of the University Presidents for setting the right “tone at the top” over internal controls and for timely addressing the issues identified by PwC in their Report to Management.

Lee Leahy addressed the Board and confirmed the remarks from the Audit & Risk Management Committee, reiterating that PwC’s opinion was clean with no material weaknesses or significant deficiencies.

Chairman Krapek thanked Ms. Leahy and the members of the Audit and Risk Management Committee, along with the Chancellor and university presidents for their diligence in this regard. The Committee Chairman added that the Committee wished to thank Vice Chancellor Kedderis for her leadership in organizing the Audit and Risk Management Committee meetings and to each of the University Vice Presidents of Finance for their cooperation in the annual audit of their books of account.

*Note: the phone connection was lost immediately following the Audit & Risk management Committee report; the connection was reestablished in 15 minutes and the meeting continued.*

CHANCELLOR AND PRESIDENTS REPORT

Chancellor Carter noted that as the legislative session was just underway, the Connecticut State University System was taking a proactive, rather than a reactive, stance to the current fiscal challenges. He added that the Board has been very clear in its directive that the fiscal times ahead should be viewed as a time of opportunity where new ways of doing business could be identified. Dr. Carter indicated he has met several times with the university presidents to identify areas where the universities and System could achieve cost-savings and added that the presidents were currently working on various scenarios in anticipation of fiscal reductions.
Dr. Carter stated that he along with the presidents and other members of his staff have met with the leadership of the various unions to solicit their input and cooperation in this regard and that he would continue to do hold such meetings.

The university presidents each provided an overview of their university design review reports, copies of which were provided to each member of the Board and university presidents.

FINANCE AND ADMINISTRATION COMMITTEE

Finance and Administration Committee Chairman Messina reported that the Committee met on Thursday, February 4th, and had three action items to bring to the Board:

**The use of unrestricted fund balances at Western Connecticut State University to effect critical repairs to Higgins Hall And Higgins Annex** Higgins Hall and Higgins Annex house the mathematics department, Academic Advisement Center, the nursing laboratories, and several other programs at Western. Higgins Hall was originally constructed in 1949 and the Annex added in 1959. An exterior visual inspection last year detected signs of severe building deterioration across the building’s masonry façades, parapet walls and roof surfaces. A third party consultant was retained to perform an evaluation and has recommended a comprehensive exterior restoration in order to correct existing damage, prevent further deterioration, and avoid a possible future safety hazard.

The estimated cost of the exterior repairs is $1,568,750. Existing project funding is available to cover $533,504 of the total project cost, and the university is requesting the use of up to $1,035,246 of unrestricted fund balance to cover the balance of these critical repairs.

**On a motion from Trustee Messina, seconded by Trustee Pugliese, the following resolution was unanimously approved.**

WHEREAS, Corrective restoration measures are required to the Higgins Hall and Higgins Annex exterior building surfaces to stabilize and restore the building exteriors, and

WHEREAS, These corrective restoration measures will deter future building deterioration and allow the facility to operate in a safe manner, and

WHEREAS, Existing bond funds are not sufficient to fully cover the estimated cost of these repairs, therefore be it

RESOLVED, That Western Connecticut State University is authorized to utilize up to $1,035,246 in unrestricted funds to effect critical exterior building restoration work at Higgins Hall and the Higgins Annex.
The lease of warehouse property at 190 White Street In Danbury, Connecticut.

Committee Chairman Messina reported that warehouse space located directly adjacent to the Western Campus at 190 White Street in Danbury was recently offered for sale to the State of Connecticut on behalf of Western. Negotiations between the warehouse owners and the Department of Public Works have been completed, and the owners are ready to sell the warehouse but need to retain occupancy for a period of one year to allow time for the owner/occupant to relocate. The Department of Public Works and the owner have agreed upon a purchase/leaseback agreement, which provides sale of the building to Western together with a non-renewable twelve month lease for the owner. The purchase price of the building is $3.1 million, with a one year non-renewable lease to the owner at a lease rental of one dollar. The warehouse is being purchased for less than the appraised value, and the leaseback is a condition of the purchase. The owner/lessee would have responsibility during the one year lease for all the maintenance, repair, building services and utility expenses, as well as compliance with local, state and federal laws, regulations, standards and policies.

The one-year warehouse lease will not affect Western’s planned use of the warehouse, and we believe it is important to close on the transaction now while the building is available. Trustee Williams had a question regarding the street address to which both Trustee Messina and WCSU President Schmotter offered clarification.

On a motion from Trustee Balducci, seconded by Trustee Pugliese, the following resolution was unanimously approved

WHEREAS, Section 4b-38 of the Connecticut General Statutes provides that the Board of Trustees may lease land or buildings, and facilities under their control and supervision, and

WHEREAS, The Connecticut Department of Public Works has negotiated a Purchase/Leaseback Agreement with White Street Investors, LLC for warehouse property located at 190 White Street in Danbury, adjacent to the midtown campus of Western Connecticut State University (WCSU), and

WHEREAS, The leaseback period is for one year, allowing time for the owner/occupant to relocate, and

WHEREAS, The one-year warehouse lease will not affect WCSU’s planned use of the warehouse, and

WHEREAS, White Street Investors LLC will be responsible for general building maintenance, utility costs, and building upkeep through the duration of the lease, and
WHEREAS, The lease agreement stipulates that use of the property is contingent upon meeting all policies, regulations and laws of local, state and federal agencies, therefore be it

RESOLVED, That the Board of Trustees for the Connecticut State University System approves the lease of space to White Street Investors, LLC in Danbury, Connecticut, for a period not to exceed twelve months, for a rental of $1.00 per year.

Relinquishment of care, custody and control of a small parcel of land situated on the perimeter of Central's campus in New Britain to the Connecticut Department of Transportation

Back in 1991, the Connecticut State Traffic Commission (or "STC") directed CSU to relinquish care, custody and control of a 10’ wide by 303’ long parcel of land running adjacent to Stanley Street – essentially, a sidewalk - to the Department of Transportation in connection with campus improvements at that time. The transfer never occurred, and now the State Traffic Commission is holding up approval of a Traffic Certificate requested to allow further construction at Central until this earlier requirement is satisfied. Central has concluded that anticipated campus construction would not adversely impact traffic flow during CCSU’s peak operating hours, and the State Traffic Commission is ready to provide its approval once this earlier housekeeping item is satisfied. The Department of Public Works will not bid out construction projects without the State Traffic Commission certificate.

On a motion from Trustee Balducci, seconded by Trustee Balducci, the following resolution was unanimously approved

WHEREAS, The State Traffic Commission (STC) reviews roadway modifications and regulates traffic patterns entering and exiting each Connecticut State University System (CSUS) university, and

WHEREAS, In November 1991, the STC directed that turning lanes be incorporated into the construction of Paul J. Manafort Drive in New Britain at the intersection of Manafort Drive and Stanley Street, and

WHEREAS, The Connecticut Department of Transportation (DOT) has requested that care, custody and control of a parcel of land adjacent to the Stanley Street/Manafort Drive roadway modifications be relinquished to the DOT to preserve the State’s right-of-way along Stanley Street, therefore be it

RESOLVED, That the Board of Trustees for the Connecticut State University System relinquishes care, custody and control of the requested parcel of land to the Connecticut Department of Transportation.
As an information item, Trustee Messina shared that the Committee also reviewed the mid-year progress reports on this fiscal year’s approved spending plans for each of the universities and the System Office, together with requests for two changes to authorized spending caps - one at Eastern to cover an unanticipated equipment replacement and another in Systemwide Direct to fund costs for the Department of Public Safety (DPS) inspections of CSUS 2020 non-threshold projects.

- As a result of higher enrollment and continued tight management of costs and expenses, total revenue is projected to be up 2/10th of a percent compared to the budget, and expenses are projected to be down by 2/10th of percent, which would result in a 5% improvement in addition to funds before designated transfers.
- After designated transfers, the System should do a little better than the approved budget, with an addition to funds of $1.8 million on a consolidated basis compared to the spending plan addition to funds of only $92,219.
- Because of the fiscal crisis facing the State over the next biennium and a number of unfunded mandates, the addition to funds is expected to be fully utilized over the biennium. And given the staggering deficits the State is projected to incur over the next several years, the Chancellor and the University Presidents are taking proactive action to anticipate potential funding issues and to develop concrete solutions that maintain the quality of the education the System provides. Obviously the state fiscal crisis is a concern to the universities and System Office.

Trustee Messina noted that on a more upbeat note, the Committee also reviewed sabbatical leave recommendations for fiscal 2011 submitted by each of the University Presidents; a decision to politely decline an unsolicited offer from a private investor to lease with option to purchase a certain property that the investor currently rents to Western students for housing; and an update on the status of CSUS 2020 Projects. All but one of the projects for approved 2020 funding of $95 million are on schedule or only slightly behind, with the one project substantially behind schedule – the 450 vehicle parking garage at Southern – expected to be back on schedule shortly now that design funding is in place.

CHAIRMAN’S REPORT

Chairman Krapek noted that he appreciated everyone’s cooperation in making sure that the business of the Board moved forward despite the adverse weather (the System Office and universities were closed). Chairman Krapek noted the need for the Board to meet face to face and
that it was regrettable that the weather conditions prevented the Board from meeting at Central, however, efforts were underway to reschedule the May 13, 2010 meeting from the System Office to Central Connecticut State University.

The Chairman noted that due to the limitations of the Special Meeting not allowing for additional items to be added to the agenda, he would only, at this time, note that he appreciated the efforts of the Chancellor and university presidents meeting to identify potential responses to the impact of the current and future fiscal situation and the he, along with members of the Board, would look forward to reviewing any proposals brought before the Board for consideration. It is clear that CSUS needs to be a part of the solution when it comes to finding ways to continue to provide access and deliver education to the students.

ADJOURNMENT

Trustee Balducci moved to adjourn; Trustee Eberhard seconded the motion and the meeting was adjourned at 10:55 a.m.

Respectfully submitted,

Theresa J. Eberhard-Asch, Secretary