EDUCAUSE BOARD MEETING

SEPTEMBER 28, 2014—ORLANDO, FLORIDA

ATTENDANCE

- **Board members attending:** Debra Allison (Chair), Kara Freeman, Joy Hatch, Bill Hogue, Marc Hoit, Ron Kraemer, Bruce Maas (Treasurer), Susan Metros (Vice Chair), Richard Northam, Diana Oblinger (President and CEO), Laura Patterson, Kay Rhodes, Tracy Schroeder, Jack Suess, Justin Sipher (Secretary), Randy Stiles
- **Staff attending:** Joanne Dehoney, Susan Grajek, Julie Little, Thad Lurie, Stacy Ruwe

CALL TO ORDER

Allison called the board meeting to order at 9:06 a.m. (ET) and welcomed new board members Jack Suess, Kay Rhodes, and Ron Kraemer.

CONSENT AGENDA

Allison called for a motion to approve the consent agenda consisting of a minor wording change to the EDUCAUSE bylaws and the June 2014 meeting minutes. Northam moved to approve; Stiles seconded. The motion carried and the consent agenda was approved.

PRESIDENT’S REPORT

- Oblinger provided an update on the annual conference, reporting that its revenue and attendance targets were within 1% of being met for the year. She noted that we met our corporate sponsorship goals, and highlighted the new conference mobile application and the visual theme for the conference, “Designing the Digital Future.” Oblinger reported that the virtual annual conference has attracted 350 registering institutions representing teams ranging from two people to more than 100 from 43 states and 11 countries.

- Oblinger reported on work the association has been undertaking with the Bill & Melinda Gates Foundation to define the needs for the next generation digital learning environment, as background research for potential investments.

- Oblinger updated the board on the status of the “IT Bootcamp” materials that are intended to clarify IT issues for non-IT leaders. She noted the new name for the series, “IT Foundations,” and the addition of a new test setting, at the Achieving the Dream annual meeting.

  - Hoit welcomed the “Foundations” effort, commenting that it helps close the gap with the Education Advisory Board, a group that is pulling together councils for each major campus leadership group and then leveraging the knowledge gained to engage provosts and others.
  - Suess cautioned that the EDUCAUSE community will expect the IT Foundations materials to remain current, implying the need for consistent maintenance and updates to the materials.

- Oblinger reported on EDUCAUSE efforts to develop coalitions in two major policy areas, net neutrality and the NFB TEACH Act. She noted that the net neutrality work has garnered credibility for EDUCAUSE with
presidential and other associations. She also reported that EDUCAUSE will meet with the National Federation for the Blind and a number of presidential associations on October 8 to try to come to agreement on strategies that will truly support NFB’s goals without curtailing access to instructional technology in general. She noted that EDUCAUSE may work with universities in key states to assure that their legislators understand the full ramifications of the NFB TEACH Act.

- In response to an observation by Suess that the bill is not likely to pass in Congress with its lead proponent retiring, Oblinger noted that EDUCAUSE expects the provisions to become part of the next Higher Education Reauthorization Act.
- Kraemer noted that his campus political liaison is optimistic that the eventual outcome will favor institutions.
- Maas acknowledged Jarret Cummings for his contributions to policy activities.

- Oblinger announced that *EDUCAUSE Review* won a number of awards, including:
  - APEX Awards for Publication Excellence
    - Best Single Blog Post
    - Magazines and Journals, Print, over 32 pages
  - Tabbie Awards
    - Gold Award, Front Cover, Illustration: November/December 2013
    - Azbee Awards
    - Gold Award, Western Regional, Podcast
    - Gold Award, Western Regional, Video Tutorial
  - Excel Awards
    - Silver Award, Video “The Connected Age”
  - Maggie Awards
    - Finalist, Best Initial Print Publication (Associations/Non-Profit/Trade and Consumer)
    - Finalist, Best Web Publication (Trade)
    - Finalist, Best Use of Video in Editorial, Short Form (Consumer)

- Oblinger reported the development of a strategic IT assessment report (SITAR) prototype, which is based on CDS data.
  - Grajek added that SITAR aims to provide 80% to 90% of what institutions need to benchmark and evaluate their services and maturity. She observed that members will shape the service as they put it into action.
  - In response to a question from Hoit, Grajek said that while participation in the CDS core module is greatest, participation in the other modules is substantial and without a precipitous drop.
  - Hogue observed that the quality of data going into CDS is crucial, and asked if the CDS team could identify poor quality data and help institutions give clean data so the work is more credible. Grajek acknowledged the problem and responded that putting the data into use at institutions is what truly motivates them to improve their data inputs.
• Schroeder suggested that offering CDS participants the chance to beta test SITAR might be a way to help test, improve, and grow the service. She speculated that members would be willing to opt-in to cleanse their own data, help with the process of refining SITAR for access to the reports, and that it could function as a data integrity exercise.

• Stiles suggested that less could be more, so an approach might be to build confidence around a few high-quality tools.

• Rhodes observed that many campuses will require help interpreting the data; giving them data will not be enough.

• Oblinger acknowledged and thanked Northam for his work at CAUDIT, which led to EDUCAUSE adoption of maturity indexes—a first step towards SITAR.

• Oblinger provided a preview for the board of the Top 10 Issues and Top 10 Strategic Technologies.

FINANCIAL REPORT

• Ruwe provided a trimester financial update for the board, noting that EDUCAUSE will meet operational and capital budget goals for 2014. She specified that the 2014 budget for operations is on target to be met, and that reserves interest income has exceeded budget to date.

• Maas reported on the September Audit Committee meeting, noting that the committee:
  • Approved continuing Meyer Hoffman McCann for the audit firm.
  • Previewed the “Finance 101” presentation
  • Discussed and ratified the investment and reserves policies

BUSINESS MEETING

The business meeting began at 9:45 a.m. (ET)

INVESTMENT AND RESERVES POLICY REVIEW

Allison called for a motion to approve the continuation of the Investment and Reserves Policies. Sipher moved to continue the current policies; Metros seconded. The motion carried unanimously.

2015 STRATEGIC INNOVATION PRIORITIES

Oblinger introduced the topic of the 2015 strategic innovation priorities by explaining that the association uses the priorities to guide innovation, as opposed to ongoing operational activities. She observed that the 2015 priorities largely continue the priorities that were developed in 2014 to help provide continuity in light of the upcoming presidential transition.

• Sipher asked if the term “CIO pipeline” correctly conveys the full scope of career development in our field.
  • Little acknowledged that not all committed professionals aspire to the CIO role, explaining that Sipher’s comment relates to gap analysis that led her team to create professional development avenues for those who aspire to the senior role in their domain area, not necessarily CIO. Examples include the Senior Leadership Roundtable and Breakthrough Models Academy.
Metros advocated the importance of engaging those in learning and other domains in CIO pipeline activities.

Kraemer suggested that EDUCAUSE could increase access to the cohort-based programs, noting that the hundred or so people a year who participate are a small fraction of the potential audience.

Suess cited the need to start at more junior levels to help people understand the organization. He noted that domain-specific opportunities like the HEUG and SAN may be preferred by those in specialized functions, but that those PD settings do not bringing people together in a cohort or help them understand IT’s strategic context.

Allison called for a motion to approve the strategic priorities. Suess moved to approve the priorities; Kraemer seconded. The motion carried unanimously.

**2015 BUDGET**

Oblinger framed the 2015 budget discussion by noting that we are proactively addressing the sources of the shortfall in the 2015 budget so they don’t linger. She invited Ruwe to explain the 2015 budget proposal.

Ruwe explained the following proposed changes to revenue:

- A member dues increase of 3%. Ruwe clarified that the recent annual 2% increases have not kept pace with inflation, and that dues have been contributing proportionally less income as costs rise faster than 2% each year.
- An increase in corporate dues of 3.8%.
- An increase in conference and event registration fees of from 1.5%–3.5%, depending on the event.
- No fee increases for ELI and ECAR.

Ruwe noted that major expenses the 2015 proposed budget include:

- A merit and market equity increase pool of 3%. Ruwe noted that salary and benefits comprise 44% of our expenses. The proposed increase is based on salary surveys showing an average increase of 2.9–3.1%
- A health care cost increase of 5%
- A capital budget of $1,239K for IT systems, phone system replacement, server and firewall replacements, and NAS backup.

Ruwe took questions:

- In response to a question about overhead, Ruwe explained that the indirect cost rate of 15% is now being applied to all grants and also applied to NERCOMP. She noted that to reduce the administrative burden, overhead is not distributed to internal programs.
- In response to a question from Schroeder, Ruwe clarified that NERCOMP has been paying an overhead rate all along.
- In response to a question from Kraemer, Ruwe noted that 15% is the Gates Foundation standard indirect rate.

Ruwe noted that the 2015 budget projects a deficit of $2.8M dollars and $1.5M in noncash depreciation expense.

- Ruwe explained that the proposal includes drawing down reserves, which are currently more than a month in excess of the range targeted by the investment policy. The reserve balance is projected at $23.4M on December 31, 2014, or $2M over targeted levels.
- Ruwe observed that after the draw on reserves we will be back to nine months of operational reserve, which is the top of the board-approved range.
Oblinger opened the floor for discussion.

- Northam asked if there are sufficient contingencies in the web project budget. Lurie responded that the web project implementation contract will be fixed price, thus mitigating some of the risk typically addressed through contingency budgets.
- Hogue observed that the items on the capital expenditures list all look important and asked if we have the capacity to complete all projects at the same time the organization is transitioning to new leadership. Lurie responded that it will be a challenge and that we considered staggering or delaying projects, but that given that many of these systems present risks, we must move forward.
- Patterson suggested prioritizing the projects into at least two buckets (crucial and potentially deferrable) to expedite decision making, should we have to refactor the plan. Lurie concurred.
- In response to a question from Schroeder about the components of the $500K budgeted for the CEO transition, Allison noted that it covered the substantial travel associated with the search, as well as search firm fees and other potential costs.
- Freeman agreed with Hogue, noting that with all the work that needs to be done and the required change management, the year will have high impacts on staff and asked how we are planning for it. In response to Freeman, Oblinger agreed with her and complimented the executive team for providing training, education, and concern for messaging and supporting staff. She noted that we have a good human resources manager on board, and that we are aware the changes will take time and attention.
- In response to a question from Suess, Ruwe estimated the steady state capital budget over four years at about $.8M a year.
- In response to a question from Patterson, Ruwe replied that about 8% of the operating budget goes to IT.
- Stiles asked if EDUCAUSE has a multiyear forecast for costs associated with the web. Hoit concurred that this question is important, noting that there are always new investments related to the web.
- Schroeder agreed with Stiles and Hoit, and asked for clarification between the annual capital improvement budget and budgets for one-time IT investments. She also asked if we benchmark our IT expenditures with other associations, acknowledging that as an IT association, our IT investments may be higher. She recommended that we develop a sustainable, recurring capital budget to maintain IT infrastructure and provide some improvements.
- Kraemer concurred with Schroeder, observing that with a new CEO coming in, it is disadvantageous to underestimate these expenses.
- Sipher suggested a possible language switch toward technology budget, as a separate category from the capital budget.
- Northam noted that associations internationally spend about 7–8% on IT, so our estimate seems about right. He voiced support for the idea of benchmarking against other associations.
- Schroeder suggested that an annual IT plan could usefully accompany the innovation priorities.
- Hogue raised the matter of cancelling Connect Atlanta in 2015, noting that he is concerned about disenfranchising small regional colleges, technical colleges, and community colleges in the Southeast.
- Hogue also noted that when new executives are brought in to the university there is often a package, including discretionary funds, and that the new CEO may need this for a signature event or investment in the first year.
- Hogue asked if the association has experienced impacts from the Affordable Care Act (e.g., increases in insurance costs). Ruwe responded that as we are fully self-insured; the Affordable Care Act has not affected us.
- In response to a question from Schroeder about the Cadillac tax, Ruwe responded that due to our relatively low fringe rate of 25%, we are below the threshold to be affected.
Responding to Hogue’s earlier observations, Oblinger noted that the new CEO could request strategic initiative funds from reserves should he or she wish to start a new program. She also observed that in approving the Connect model, the board approved transitioning away from regional programs. Because the biggest savings, even with cancellation charges, was in Atlanta, and the Connect program is not intended to be regional, we thought it could make sense to challenge the “regional” model in selecting the instance of Connect to cancel.

Sipher congratulated Oblinger and the executive team for setting up the new person to succeed, as he or she will be able to take credit for the new website due to the timing of the rollout.

Ruwe responded to Hogue’s previous comment by noting that the budget does create a modest central reserve of $250K for contingencies.

Allison called for a motion to approve the proposed 2015 budget. Rhodes moved to approve; Patterson seconded. The motion carried unanimously.

**IP ADDRESS BLOCK PROPOSAL**

Oblinger provided background on the IP address block proposal by explaining that EDUCAUSE has a block of IP addresses that we cannot use. She described it as a fairly significant asset, worth an estimated $250K. She noted that Internet2 showed interest in using the block for free, and described the options under consideration as offering the block to I2 at a set price or offering the block on the open market. She asked the board for their advice for how to approach the issue and opened the floor for discussion.

- Hoit suggested that the window is now for selling the block due to IPV6.
- Oblinger concurred with the importance of moving forward, and noted that the first decision point for EDUCAUSE is whether to offer them free to I2 or to take another approach. Hoit clarified his previous point, noting that he would advocate selling at a fair market price.
- Schroeder observed that if it were known that EDUCAUSE had an asset it didn’t capitalize on in a tough budget year, it could be perceived negatively by members. She further suggested that we define fair market value and offer a first right of refusal to members of the EDUCAUSE community.
- Northam observed that his Asia-Pacific colleagues believe the current block could have value for 3–5 years. He counseled that in deciding, we consider potential member value and balance fiduciary responsibility versus giving back to community.
- Maas suggested that the value needs to be quantified quickly. He further observed that membership for EDUCAUSE and I2 are different, and questioned why something of value to EDUCAUSE would ever be given away.
- Stiles concurred with Northam and Maas, noting that we have to give value to members and market the block in a sensible way.
- Oblinger asked for clarification on the issue of member value, asking if the suggestion is to potentially offer it to members at a favorable rate.
- Metros concurred with Northam, commenting that part of giving back to the community would be through what EDUCAUSE does with the money it generates.
- Patterson reported that she sits on the MERIT Board, which has a huge block to sell.
  - She mentioned that the MERIT Board approved principles, guidelines, and process for the sale. For example, issues they covered included whether or not they would sell to any country and what they would do with the revenues at various profit levels.
  - Patterson suggested talking to Don Welsh at MERIT.
  - She noted there is interest from big corporations who will pay market value.
• She concluded by suggesting that we are obligated to make a sale, and that even a sale to members should be at market value.

• Kraemer agreed with Patterson, further observing that as managing the block is not in an area of core competency for EDUCAUSE, he would suggest selling it quickly and recouping the resources.
• Patterson agreed, and said that there is no point in trying to play the market.
• Sipher concurred with Patterson and Kraemer, saying that while he was at first leaning toward a discounted rate for members, he now agrees that a market value sale would be the way to go. He further observed that a discounted rate could even lead to some buyers to flip the IP addresses they purchase.
• Sipher asked if the association should hold on to any of the IP addresses to account for future needs. Oblinger responded that we planned to retain a portion of the addresses.
• Suess noted that a class B block is more valuable than other options that require more complex network management. He also noted that there might be an opportunity to support the community through the payment schedule.
• Freeman asked if the sale might conflict with our nonprofit status. Oblinger responded that it is technically a lease, which could make a difference.
• In response to a question from Patterson, Ruwe noted that the possibility of the sale triggering an unanticipated business tax is already under consideration.
• Suess observed that EDUCAUSE should begin planning to support IPv6, noting that within about a year international traffic will only be navigating over IPv6. He recommended that this be part of functional specifications for the web project.

Oblinger summarized the discussion by saying that the conclusion is to move expeditiously to sell at market rates, and thanked the board for their recommendations and advice.

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**BOARD OFFICER ELECTIONS**

Allison opened the conversation about board officer elections by announcing a slate of a single candidate for each office: Bruce Maas, Chair; Susan Metros, Vice Chair; Justin Sipher, Secretary; Bill Hogue, Treasurer.

• Schroeder thanked Allison for her leadership and management as board chair for two years. The board acknowledged Allison with applause.
• Allison thanked her colleagues, saying she had great mentors, noting Ted Dodds was chair when she joined the board, followed by David Lassner, and that she could not have had better examples.
• Northam reminded the group that the outgoing board members will run the election process next year. Allison further clarified that they may change the process if they wish. Oblinger concurred, saying that the process is up to the will of the board as it is not specified in the bylaws.

Allison asked for a motion to approve the 2015 officer slate of Maas for Board Chair, Metros for Vice Chair, Sipher for Secretary, and Hogue for Treasurer. Hatch moved to approve the slate; Rhodes seconded. The motion carried unanimously.

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**ADJOURNMENT**

Allison adjourned the business meeting at 11:45 a.m (ET). The executive session adjourned at 4:00 p.m.