



## 2. APPROVAL OF THE MINUTES

### **Minutes of the Facilities Committee of the Council on Postsecondary Education's August 24, 2016 Meeting.**

Dr. LaPanne reported that the addition to the minutes forwarded by Mr. Duffy to Committee members over the weekend had been included on page 5 in redlined fashion. Also, the Commissioner noted that there should be another correction on page 3 in the final paragraph. This sentence should read "Dr. Dooley indicated that the RICAP request will allow the investment in this building to occur over a number of years with no new debt service expense included in the construction costs."

On a motion duly made by Mr. Duffy and seconded by Mr. Bernstein, it was

**VOTED:**                    **THAT**                    *The Finance/Facilities Committee of the  
Council on Postsecondary Education accept the  
minutes of the Finance/Facilities Committee  
meeting of August 24, 2016 with the edits as  
noted above.*

**VOTE:**                    3 members voted in the affirmative and 0  
members voted in the negative as follows:

**YEAS:**                    Michael Bernstein, Heather Crosby, and Dennis  
Duffy.

**NAYS:**                    0

**ABSTAIN:**                0

## 3. CHAIR'S REPORT

Chair Crosby recognized and thanked the representatives of the institutions for attending this evening's meeting in order to answer any remaining questions related to the Capital Improvement Plan. She also thanked the Committee members for their extensive review of the Plan and for all of their feedback.

She reviewed the upcoming meeting schedule for the Finance Committee which includes:

- Wednesday, October 5, 2016 for the first review of the Operating Budgets for FY 2017 (revised) and FY 2018. In addition the report of the external audits for the fiscal year ended June 30, 2016 will be presented by O'Connor and Drew for all three institutions and the Division of Higher Education Assistance (DHEA).
- Wednesday, October 19, 2016 for the final review of the operating budgets as well as the recommendation for acceptance by the Council.

The location of these meetings will be disclosed shortly.

#### **4. DISCUSSION/ACTION ITEMS.**

##### **4a) Review and Recommendation of the Capital Improvement Plan for FY 2018-2022.**

Dr. LaPanne reported that the Capital Improvement Plan for FY 2018-2022 had been amended per the corrections and Committee's instructions at the meeting of August 24<sup>th</sup>. These changes included the following:

##### **University of Rhode Island**

- **Upper College Road** total funding was reduced from \$1,430,000 to \$1,130,000. The funding source remains the same, University Funds.

##### **Rhode Island College**

- **New Resident Hall** total funding was reduced from \$55,098,000 to \$55,000,000. The funding source changed from \$98,000 College Funds to \$15,000,000 RICAP from FY 2018 to FY 2020. Third Party funding decreased from \$55,000,000 to \$40,000,000.
- **Resident Halls Modernization and Renovation** total funding was reduced slightly from \$95,086,000 to \$95,000,000. Funding source changed from \$86,000 College funds to \$10,000,000 RICAP from FY 2021 to FY 2022. Third Party funding decreased from \$95,000,000 to \$85,000,000.

##### **Office of Postsecondary Commissioner**

- **560 Jefferson Blvd** funds were changed to reflect the entire expenditure in FY 2017.

Provost Don DeHayes indicated that the University had revised its proposal to include two feasibility studies that would be commissioned per the discussion between Chair Crosby and President Dooley. These two studies would include the following:

- A peer review analysis of all market and feasibility studies completed by RevPAR to date. It would include case studies of two successful project similar to the University's proposal and two projects that encountered hardships.
- A study that would include a highest and best use analysis for the Upper College Road parcels by an independent, general real estate firm, to provide valuation and advisory services relative to the Rhode island real estate investment market.

Mr. Duffy indicated his objection to the use of the term "highest and best" use as it has very specific legal connotations which would not be appropriate in a University setting. He noted that this is traditionally a commercial term that looks at the highest and best economic use of property and that commercial value may not be the best use for the University context.

Mr. Bernstein noted his concerns about additional studies being added to the studies that already exist. He clearly stated that his concern is for alternatives to a retail and hotel complex. Mr. Bernstein noted that he may agree with the housing aspects of a project on these parcels related to students and faculty. While he recognizes the need for some commercial entities in proximity to the campus, he does not believe that this central location is the proper place for them.

In the ensuing discussion, Mr. Duffy asked the other Committee members if they would consider a single study with the clear requirement that the use of the land does not presume a hotel as an intrinsic piece of the project. Chair Crosby consented and added that the Committee cannot make an informed decision without clear data related to the land use. She noted that longer leases are more profitable in most real estate projects in general so that student housing would be more profitable than hotel space for example. She agreed with Mr. Duffy that a generic study will provide insight on the appropriateness of the projects within the University context.

Mr. Bernstein and Mr. Duffy both voiced strong and continued opposition to the commercial hotel development, noting that it had been removed by the Council from two prior Capital Improvement Plans and citing the difficulties arising from the past failure of hotel projects at other campuses in the region. Mr. Duffy voiced the opinion that this central campus location should be dedicated to educational purposes. Mr. Bernstein reminded the Committee that he has never been in support of this project and

continues to be against the continuation of it. However, he also indicated that he will consent to the study of all potential uses provided that there should be no further movement on any other aspects of the project including the relocation of faculty and staff until the Council has received the study. Provost DeHayes consented that staff and faculty would not be moved at this time.

In regard to the changes related to Rhode Island College, Dr. LaPanne noted that these represented a change in funding for the new dormitory project and for the residence hall renovation project to include RICAP funding.

Chair Crosby asked if RICAP funds could be used for projects that were supported through auxiliary funds as it was her understanding that such projects were not eligible. Dr. LaPanne responded that this was correct and that RICAP was used for Educational and General activities only. However, there was an exception made to RIC in the 1990s that provided state funding in support of their residence halls as a one-time only contribution.

David Gingerella, RIC's Vice President of Finance and Administration, explained that the request included a \$5m request for each of five years with their clear understanding that this was not only an exception to the traditional RICAP funding but was also not a guaranteed source of funds from one year to the next. However, he explained that this state contribution would provide a significant "down payment" on the renovations and on the proposed new residence hall. It is his opinion that the contribution of state funds will provide the College with the wherewithal to find a third party partner as well as to begin the significant renovations on the existing buildings. The Committee members agreed that the request was one that they could support.

Dr. LaPanne also explained that the change in the capital request for the Office of the Postsecondary Commissioner was to change the timing of the request from FY 2018 to FY 2017. This timing change is based on the serious compromise to the roof at 560 Jefferson Boulevard.

With the discussion concluded and on a motion duly made by Chair Crosby and seconded by Mr. Duffy, it was

**VOTED:**                    **THAT**                    *The Finance/Facilities Committee of the  
Council on Postsecondary Education  
recommends that the Council on Postsecondary  
Education approves the Capital Improvement  
Plan for FY 2018-2022 subject to the following:*

*That the University's Project #14 - Upper*

*College Road Mixed Use Project maintains the FY 2017 and 2018 estimates as reflected but that only \$50,000 is currently authorized for expenditure on the aforementioned generic real estate study.*

*Any subsequent expenditures or actions, including staff relocations, require the written authorization from the Council on Postsecondary Education.*

VOTE: 3 members voted in the affirmative and 0 members voted in the negative as follows:

YEAS: Michael Bernstein, Heather Crosby, and Dennis Duffy.

NAYS: 0

ABSTAIN: 0

**4b.) Review and recommendation related to the Directors and Officers Liability coverage.**

The Finance and Facilities Committee meeting of August 24, 2016 resulted in a discussion of the Educators Legal Liability (ELL) Insurance Policy. This policy is essentially the directors and officers liability policy which covers the Board, the Council, and the three institutions as well as the Office of the Postsecondary Commissioner.

Chair Crosby had requested that Mr. Donaghey investigate other ELL options and look into the premium differences at various levels of coverage and at various deductibles.

Mr. Donaghey returned this evening with his report that provided a review of the portfolio of coverage for all aspects of the system of public higher education with its focus on the ELL coverage. Mr. Donaghey explained that ELL is essentially Directors and Officer Coverage and included examples of the types of issues covered by the policy.

Chair Crosby responded that she was pleased to see that the premium differences for the increased limit of \$25m was only \$9,375 annually for a self-insured retention (SIR) of \$150k. In light of that premium and the relative minor (\$1,875) savings that an SIR of

\$250k would provide, Chair Crosby indicated her support for Dr. LaPanne's recommendation of the lower SIR policy.

When asked if he had any recommendations for the portfolio of coverage, Mr. Donaghey noted his concern about the lack of cyber/breach coverage. He explained that, while this is a new market, these policies would include insurance that covers not only losses related to breaches of the information systems but the remediation of loss potentials for those individuals whose information has or has potentially been compromised. The insurance company has a plan for the remediation and communication of the breach issues that may bypass the complications of state procurement addressing the public relations aspect of a breach without delay.

After some conversation about this coverage, the Committee members agreed that the institutions and the Office of the Postsecondary Commissioner need to proceed with the review of the cybersecurity bids received to date.

On a motion duly made by Mr. Bernstein and seconded by Mr. Duffy, it was

**VOTED:**                    **THAT**                    *The Finance/Facilities Committee of the Council on Postsecondary Education recommends that the Educators' Legal Liability coverage is increased to a limit of \$25m with an SIR of \$150k for the Office of the Postsecondary Commissioner.*

**VOTE:**                    3 members voted in the affirmative and 0 members voted in the negative as follows:

**YEAS:**                    Michael Bernstein, Heather Crosby, and Dennis Duffy.

**NAYS:**                    0

**ABSTAIN:**                0

**4c.) Preliminary discussion of the operating budget review process for FY 2017 (revised) and FY 2018.**

Dr. LaPanne advised the Committee that the upcoming meeting on October 5<sup>th</sup> would be a presentation of the compiled budgets from the three institutions of higher education and the Office of the Postsecondary Commissioner.

These budgets will include the Unrestricted (E&G) budgets as well as the Restricted Budgets for FY 2017 (revised) and FY 2018. Included in the report will be three scenarios from each of the institutions:

- The financing of the expenditure budget through all state appropriation (0% tuition and fee increase)
- The financing of the expenditure budget through all tuition and fee increases (\$0 increase in state appropriations)
- The financing of the expenditure budget through a balance of the two revenue sources as recommended by the institutional Presidents.

After that discussion, the budgets will be revised if there are requirements to do so from the Committee.

The meeting on October 19<sup>th</sup> will be the second discussion of the budgets that is designed to allow the Committee to request additional information and insight from Office staff and the institutions. The anticipated outcome of that meeting is the recommendation of the Committee for the Council's approval of the operating budgets and the tables of organization.

**4d.) Update on the progress of the upcoming bond issuance.**

Dr. LaPanne provided a brief report on the progression of the bond issuance project after describing the significant level of due diligence work that the institutions were required to do. She thanked all of the institutional staff for their hard work and attentiveness to this project.

		Education & General Bonds	Auxiliary Bonds
URI	Standard & Poor	A+	A+

Mr. Wyman of the University reported that the bond ratings had been updated for Standard and Poor since the last meeting of the Council. The bond ratings received were as follows:

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URI	Moody	AA3	A1
Council on Postsecondary Ed	Moody	AA3	A1

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Dr. LaPanne pointed out that the system rating was an upgrade in the rating and would positively impact the issuance of the upcoming bonds.

With the receipt of the anticipated time table for the issuance, she was also pleased to report that the Preliminary Official Statement was scheduled to be published on Wednesday, September 21, 2016.

On Wednesday, September 28, 2016, the pricing call, bond issue, verbal award and the receipt of the written award are scheduled. At this point, the rates will be set and locked in. Dr. LaPanne will send a report out related to the issuance and the overall savings on the following day upon receipt.

The preclosing is scheduled for Monday, October 17, 2016 with a closing scheduled for October 18, 2016.

The Committee members were pleased with the progress of this project and requested an updated savings report at the Council Retreat on Friday, September 23.

## 5. ADJOURNMENT

On a motion duly made by Mr. Bernstein and seconded by Mr. Duffy, it was:

**VOTED:**                    **THAT** *The Finance/Facilities Committee of the Council on Postsecondary Education adjourn its meeting.*

**VOTE:** 3 members voted in the affirmative and 0 members voted in the negative as follows:

**YEAS:** Michael Bernstein, Heather Crosby, and Dennis Duffy.

**NAYS:** 0

The meeting adjourned at 6:50 p.m.