



Enclosure 2
March 1, 2017

**Minutes of the Finance and Facilities Committee of the
Council on Postsecondary Education Meeting
Wednesday, October 19, 2016 5:30 p.m.
The Office of the Postsecondary Commissioner
560 Jefferson Boulevard
Warwick, RI 02886**

The Finance/Facilities Committee of the Council on Postsecondary Education met on Wednesday, October 19, 2016, at the Office of the Postsecondary Commissioner at 560 Jefferson Boulevard, Warwick, RI. At 5:30 p.m., Chair Heather Crosby welcomed everyone. She then took roll call.

Present: Michael Bernstein, Heather Crosby, and Dennis Duffy, and Dr. Jeffery Williams.

Absent:

1. ACCEPTANCE OF THE AGENDA

Chair Crosby entertained a motion to accept the agenda. 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 accept the agenda for the meeting of October 19, 2016 as presented.

VOTE: 4 members voted in the affirmative and no members voted in the negative as follows:

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

NAYS: 0

ABSTAIN: 0

2. APPROVAL OF THE MINUTES

Minutes of the Facilities Committee of the Council on Postsecondary Education's September 20, 2016 Meeting.

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

VOTED: **THAT** *The Finance/Facilities Committee of the
Council on Postsecondary Education accept the
minutes of the Finance/Facilities Committee
meeting of September 20, 2016 with the edits as
noted.*

VOTE: 4 members voted in the affirmative and 0
members voted in the negative as follows:

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

NAYS: 0

ABSTAIN: 0

3. CHAIR'S REPORT

Chair Crosby acknowledged the attendance of several Council members who do not serve on the Finance and Facilities Committees and thanked them for their presence at this meeting to hear the budget discussion. Members present included Mr. Del Guidice, Senator Izzo, and Council Chair Bill Foulkes.

Because of the extensive discussion that Chair Crosby expected related to budget matters, she noted for the Committee that the upcoming yearly calendar of meetings will be distributed at the next meeting of the Council and that the Committee meetings in the early part of the new year will include reviews of the progress of the current year's budget to actual.

4. DISCUSSION/ACTION ITEMS.

4a) Update on the final settlement of the bond issuance.

Dr. LaPanne reported that the closing of the bond issuance occurred on Tuesday, October 18th and included the following bond series:

- Series 2016A – URI – Educational and General
- Series 2016 B – URI – Auxiliary Enterprise
- Series 2016C – Auxiliary Enterprise Revenue

The bond market on the date of the sale was especially beneficial for the system bonds and results in an overall cash savings of \$24.0M over the life of the bonds. (This savings has a net present value of approximately \$20.0M.)

The Committee members commented on this very positive outcome of this issuance and their thanks and congratulations to the working group that lead this project.

4b.) Discussion and recommendation to the Council on Postsecondary Education for the acceptance of the Audited Financial Statements for URI, RIC, CCRI, and DHEA for the Fiscal Year Ended June 30, 2016.

Dr. LaPanne introduced Steven Cohen, CPA, CGFM, principal with the system’s external audit firm, O’Connor and Drew, PC. Mr. Cohen was present to provide all required communications to the Finance Committee and to discuss the results of the financial statement audit. In addition, he was in attendance to provide answers to any questions that the Committee members have in regard to the year end results.

Mr. Cohen explained that all four audits resulted in unqualified opinion which represents the best result for a financial statement audit.

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 recommends that the Council on Postsecondary Education accepts the Audited Financial Statements for the University of Rhode Island, Rhode Island College, the Community College of Rhode Island and the Division of Higher Education Authority.*

VOTE: 4 members voted in the affirmative and 0 members voted in the negative as follows:

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

NAYS: 0

ABSTAIN: 0

4c.) Review and recommendation related to the Cyber Security Liability Coverage.

Dr. LaPanne reported that Sean Donaghey has received four proposals for cyber/privacy liability insurance. While it is difficult to compare the various policies, Mr. Donaghey has limited the companies for review to only two vendors as the other two proposals would not cover institutions for higher education.

The Committee received the report from our insurance consultant that compared the two proposals. Because of the remaining differences in the coverage, limits, retention and costs, each institution and the Office should meet with the consultant to come up with a business plan for each entity.

Dr. LaPanne reported that the system's Risk Management Work Group would be meeting on November 4th for this discussion. She will return a report to the Committee at a later meeting about the results of that discussion and the next steps in acquiring this coverage for the system's institutions.

Because this was an update for the Committee, no action was required.

4d.) Discussion and recommendation of the Operating Budgets and Tables of Organization for the System of Public Higher Education for Fiscal Year 2018.

Dr. LaPanne introduced the discussion of the institutional operating budgets and the Office budget by providing some context of the system within the state's budget. While the total budget for the system of public higher education is approximately \$1.1B for all funds, the direct contribution to operations from the state is \$178.2m for Fiscal Year 2017.

Dr. LaPanne provided a brief review of the Restricted Budget requests for Fiscal 2018 and reminded the Committee of the activities that represented restricted fund activities. With the remaining funds in the unrestricted area which includes approximately 60% of the total budget requests, the initial requests for unrestricted funding for each institution and the Office were reviewed with their variance to the current year budget as follows:

Net of GO Debt	2017- Enacted	2018 - All E&G Programs	Increase
URI	\$76.7	\$96.2	\$19.5
RIC	\$47.0	\$54.3	\$7.3
CCRI	\$48.9	\$54.8	\$5.9
OPC	\$5.5	\$6.9	\$1.4
TOTAL	\$178.1	\$212.2	\$34.1

With this introduction, Dr. LaPanne indicated that the three institutions would be providing overviews of their individual budgets beginning with the Community College, then RIC, URI, and the Office of the Postsecondary Commissioner.

The Community College of Rhode Island

David Patten, Vice President for Business Affairs, presented the budget request for the Community College of Rhode Island. Mr. Patten reviewed areas in which funding is restricted in the FY 2018 request vs. the actual expenditures in FY 2015 in order to demonstrate the efforts of CCRI to contain and redirect budget dollars. He also reviewed the cost drivers in place that contribute to the increase in costs in the FY 2018 budget. These include the following items:

- 3% Collective Bargaining impact on salaries and benefits
- Medical insurance premiums increase (+8.1%)
- BOG Retiree Health Rate increase (+40%)
- Conversion of ConnectToCollege from Grant funding to Unrestricted funds
- Contract services and other personnel services
- Student financial aid increases (which reflect reduced unemployment waivers)

Stating that the total cost of these anticipated increases are \$3.7m, Mr. Patten reviewed the revenue budget request that has been designed to cover these costs. He reported that the increase in the state's contribution to CCRI was included in the budget at \$2.9m which was the amount that the Commissioner's Office had advised during the summer months and in the course of funding formula discussions. The remaining amount of revenue would be acquired from a 7% increase in in-state tuition and fees.

Mr. Patten also displayed a comparison of tuition and fees from CCRI to its New England peers showing that CCRI remains in the middle of the group and significantly less than its peers in New Hampshire, Massachusetts, and Vermont.

He continued his presentation with a discussion of the strategic initiatives that President Hughes has set for CCRI:

- Provide robust Guided Pathways options for students
- Explore technology options to enhance student services
- Perform a study of faculty and staff salary
- Expand co-requisite course models in Math
- Expand co-requisite course models in English

All of these initiatives will be funded via redirected funds from elsewhere in the Community College's budget. Mr. Patten continued his report with a review of the redirection strategies that are being put into place at CCRI in order to provide funding for these strategic initiatives while assuring that vital functions continue to be provided to the college community.

Mr. Bernstein asked how many students at CCRI are Pell-recipients and Mr. Patten reported that approximately 60% are Pell-eligible.

Rhode Island College

President Sánchez thanked the Committee for receiving his report on behalf of Rhode Island College and provided a review of the anticipated budget increases of approximately \$7.8m for FY 2018 in excess of the FY 2017 enacted budget:

- 3% Collective bargaining increases (and the associated increases in various benefits)
- Classified Service staff increases as anticipated by separate collective bargaining agreements
- Transition of Learning for Life program to Unrestricted funding from grant
- Amount needed to fill vital positions identified in the Office of Internal Audits report from spring 2016
- Increase in health insurance premiums
- Increase in BOG postretirement health benefits contributions
- ESCO energy efficiency debt service costs
- Upgrade in maintenance in order to limit growing deferred maintenance

However, Mr. Gingerella, Vice President of Finance and Administration, cautioned that the current budget request does not cover the strategic initiatives that are needed by RIC in order to increase its key performance measures and provide a positive impact to students' progress toward their degrees:

- Professionalize and reform advising: \$1.1 million

- Student Experience (primarily aimed at commuting students): \$750,000
- Faculty and Staff Salaries: \$6.7 million to raise faculty salaries to regional average
- Financial Aid (\$500,000 increase, *included in FY 2018 request*)

The budget request from RIC includes a request for an increase in state appropriation of \$5.1m as well as an increase in in-state tuition and mandatory fees of \$2.3m. This increase in tuition and fees is a result of an increase of 3.4% for in-state tuition and fees and 3.2% for out of state students.

There was a short discussion of the Henry Barnard School concerns related to tuition level and the contribution from the College to support its operations.

Dr. Sánchez discussed the performance metrics that RIC is using which include the mandatory metrics (grad rates and number of credentials awarded in high wage/high demand areas) as well as the President's themes (Learning Innovation and Inclusive Excellence). He also reported that approximately 49% of RIC's students are Pell-eligible.

University of Rhode Island

Dr. DeHayes, Provost and Vice President for Academic Affairs, URI, presented the budget request from the University. The Committee was advised of the total budget request for all funds for FY 2018. However, Dr. DeHayes emphasized the issues that have inspired the \$24.7m increase in the unrestricted budget for 2018:

- 3% Bargaining Unit increases (along with the associated increase in certain employee benefit rates)
- Increase in the health insurance premiums
- Increase in the BOG Post-retirement healthcare benefit rate
- Additional costs related to the Nursing Education Center
- Increase in debt service for unrestricted debt
- Amounts needed to sustain the President's 55 in 5 program related to the hiring of faculty in high demand areas
- Strategic investment in student financial aid

Dr. DeHayes discussed the erosion of the budget caused by the nearly-flat tuition rates experienced by the University in the past five years. He indicated that it had taken record-breaking enrollments to balance the budget. He discussed the FY 2018 budget requested rate increase of 7.7% for in-state tuition and mandatory fees and the 3.5% increase in the out-of-state student rate. When questioned about the difference in these

two requested increases in rates, Dr. DeHayes explained that the University was well versed in its out-of-state market and the competitive rates demanded in order to secure the out-of-state student enrollment needed to assist with the overall unrestricted budget. He cautioned the Council that requesting a higher increase in tuition and fees might easily result in a reduced enrollment.

He reported that the students enrolled included 42% who are Pell-eligible.

As his colleagues at the Community College and RIC provided, Dr. DeHayes reviewed the in-state tuition and fees with those of the University's peers in New England and also added a few of the mid-Atlantic state universities with whom the University competes. The URI in-state rates are in the middle of this group of competitors.

Dr. DeHayes also reported on the efficiency measures and continuous improvement efforts of the University over the past several years. He talked about the various efforts and ongoing initiatives that are allowing the University's steady progress in advancing overall student retention, student credit completion, and graduation rates. Dr. DeHayes also outlined all of the efficiencies that the University has been achieving including the reorganization of various colleges and academic programs and the redeployment of vacated positions to align with URI's strategic initiatives.

Office of the Postsecondary Commissioner

The Commissioner recognized the late hour and suggested that the Committee members refer to the cover letter in the Office's budget packet to be aware of the projects, initiatives, and required programmatic costs that are in the requested increase for the office. He indicated that he and Dr. LaPanne are available for discussion as desired by any of the Committee members related to the Office budget and operations.

Because this was a presentation and discussion, there was no action taken. However, Chair Crosby noted that there would be continued conversation about the operating budget in the upcoming Council meeting and that it was excellent that so many of the Council members not on the Finance Committee had attended this evening's session.

5. ADJOURNMENT

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

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

VOTE: 4 members voted in the affirmative and 0

members voted in the negative as follows:

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

NAYS: 0

The meeting adjourned at 7:25 p.m.