



Enclosure 2
October 11, 2017

**Minutes of the Finance and Facilities Committee of the
Council on Postsecondary Education Meeting
Wednesday, September 13, 2017 5:00 p.m.
McKenna Conference Room
Office of the Postsecondary Commissioner
560 Jefferson Boulevard
Warwick, RI 02886**

The Finance/Facilities Committee of the Council on Postsecondary Education met on Wednesday, September 13, 2017, at the Office of the Postsecondary Commissioner at 560 Jefferson Boulevard, Warwick.

At 5:00 p.m., Chair Heather Crosby welcomed the Committee members and thanked everyone for their flexibility with the earlier time for the beginning of this meeting.

Present: Heather Crosby, Timothy DelGiudice, and Dr. Jeffery Williams.

Absent: Dennis Duffy

1. ACCEPTANCE OF THE AGENDA

Chair Crosby entertained a motion to accept the agenda. On a motion duly made by Mr. DelGiudice and seconded by Dr. Williams, it was

VOTED:	THAT	The Finance/Facilities Committee of the Council on Postsecondary Education accept the agenda for the meeting of September 13, 2017 as presented.
	VOTE:	Three members voted in the affirmative and no members voted in the negative as follows:
	YEAS:	Heather Crosby, Timothy DelGiudice, 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 13, 2017 Meeting.

Chair Crosby asked if there were any edits related to the minutes but none were noted by other committee members. However, Chair Crosby asked that the refinancing rules of thumb which had been discussed would be added to the final version of the minutes.

On a motion duly made by Mr. DelGiudice and seconded by Chair Crosby, 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 13, 2017 as amended.*

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

YEAS: Heather Crosby and Timothy DelGiudice.

NAYS: 0

ABSTAIN: Dr. Williams abstained as he had not been in
attendance at the prior meeting.

3. CHAIR'S REPORT

Chair Crosby provided a preview of this evening's meeting which included a continuation of the discussion from the Council's Retreat regarding the Higher Education Funding Formula as well as the first review of the Capital Improvement Plan for FY 2019-2023. Each president will provide a brief overview of the plan submitted for consideration and an explanation of the projects as they relate to the institutional mission, vision, and goals.

Chair Crosby also updated members on the upcoming meetings of the Finance Committee and their anticipated agenda items:

- October 4, 2017 will provide an opportunity for the second review of the Capital Improvement plan with the anticipation of the Committee's recommendation of it to the Council. Also planned is the first overview of the Operating Budget for the three institutions and the Office.
- October 18, 2017 has the second discussion of the Operating Budgets and a review of any updates that resulted from the prior meeting of the Committee. In addition, she anticipates that the external auditors will present their report on the financial statement audits for the system entities.
- November 8, 2017 was originally scheduled as a Committee meeting. However, the number of significant issues that require the Council's review, discussion, and approval have called for this meeting to become a full Council meeting.
- November 15, 2017 is the Board of Education meeting during which all budgets from both Postsecondary Education and Elementary and Secondary Education are discussed and approved.

Chair Crosby also reported that she had received the updated schedule of comparative insurance premiums from Sean Donaghey. The Committee had asked for this comparison at its July meeting. She reported that the overall portfolio premiums had increased by \$378,231 which is due largely to the addition of cyber liability insurance last March (\$195,166) and Builders Risk Insurance for the University's Engineering Building construction (\$126,028). Chair Crosby also indicated that the discussion of deductibles will take place during one of the later winter meetings of the Committee.

Chair Crosby also provided a brief update on the upcoming bond issuance. She reported that the University and system representatives met with the ratings agencies in order to provide background and updated information for the upcoming bond rating analysis. These analyses are done prior to each bond issuance. While S&P's meeting was a teleconference, Moody's representatives visited the University campus for a meeting and a tour.

4. DISCUSSION ITEMS.

4a) Follow up discussion regarding the Higher Education Funding Formula (from the Council's Retreat presentation)

Commissioner Dann-Messier reported that she is soliciting questions, comments, and concerns from various constituencies regarding the Higher Education Funding Formula

proposals. She also indicated that Robin McGill is meeting with upper level administration at each institution in order to do the same.

Mr. DelGiudice said that he is anxious to see what comes back in response from all of these constituencies while Chair Crosby reflected that the short timeline and lack of detail is a concern to her. Chair Foulkes said that the “one size fits all” model may need to be reconsidered in favor of customizing the formula based on the institutional missions, vision, and scope. He also reflected that the complexity of the task is increased by the budget deficit in both this current year and as projected for the upcoming year or so.

The committee thanked the Commissioner for the opportunity to reflect on the formula project once again and requested that the conversation is continued.

4b) Overview of Capital Improvement Plan vision for the Community College of Rhode Island - Dr. Hughes

David Patten, Vice President of Business Affairs, presented the Capital Improvement Plan for the Community College. He reminded the Committee of their three strategic initiatives:

- Enhancing student success and completion
- Expanding partnerships and programs
- Strengthening the Effectiveness of the organization

In reviewing the CIP, Mr. Patten related how all of the requested projects under consideration supported each of these strategic initiatives. He reviewed the campus renewal projects for both the Warwick and Lincoln campuses as well as reviewing the ongoing accessibility projects underway and scheduled for the upcoming couple of years at all of the campuses. In addition, he shared photographs of the renovations in the laboratory areas of the Warwick campus which showed an impressive improvement in those areas.

Mr. Patten also showcased the design renderings of the significant updates planned for the Warwick Megastructure and the plans to create student meeting and study spaces as well as correcting significant design flaws in the building.

Chair Crosby asked Mr. Patten how technology could help the Community College. A discussion followed about the desired upgrades to the information technology infrastructure that are being implemented to increase the connectivity of the campus to its students as well as the upgrades designed to enhance pedagogy.

After Mr. Patten briefed the Committee members on the distribution of students by campus and the predominant use of each campus by program, Dr. Williams asked if this distribution was by design or if it had just been evolution. Mr. Patten indicated that the placement of some programs such as the allied health programs in Lincoln had occurred as a result of their high asset intensity. The Community College has found that a single location for these specialized programs made sense rather than to try to recreate these high cost programs on each campus site. Dr. Williams understood the wisdom of this evolution but indicated that program location is an important strategic question. He encouraged CCRI to have multiple voices in that strategic discussion in order to try to get high wage programs into all of the CCRI locations. Perhaps the strategy could entail localizing the prerequisites and then having the high capital-intensive programs such as dental hygiene conclude on a single campus. President Hughes indicated that this was an ongoing discussion at CCRI as determining the most efficient utilization of each campus is a significant priority.

Chair Foulkes asked Mr. Patten what each of the \$30M projects at the Warwick and Lincoln campuses would entail and requested more detail in regard to the needs and the timeframes being contemplated. Mr. Patten reported that Goode Clancy will be completing a facilities master plan for the Community College and many of the specifics will be detailed in the resulting plan.

4c) Overview of Capital Improvement Plan vision for the Rhode Island College - Dr. Sánchez

President Sanchez reported that Saratoga and Associates is involved in assisting the College with its Master Plan update. He worked through the slide presentation, providing an update on all of the construction that has been completed during the year or is ongoing. Much of this construction is a result of the 2012 General Obligation Bonds with renovations to Craig Lee Hall as the final project component.

President Sanchez described the renovations to the Mount Pleasant Avenue end of the campus where the new Welcome Center and Police Department will be housed. He then discussed a Champlin Foundation of approximately \$455k with a \$1M match from the College to renovate laboratories in Clarke Science Building. He also reported to the Committee that Rhode Island College had received a Green Ribbon School designation from the federal Department of Education for 2017.

President Sanchez continued on to discuss the aspirational plan as presented in the first project listed in the Capital Improvement plan. He discussed the timeline for the overall renovations that will ultimately require bond support of approximately \$120M:

Project Description	Request	Ballot Year
Horace Mann Hall Renovation	\$25.0 million	Nov. 2018
New Student Services Building	\$10.0 million	Nov. 2018
Roadway/Walkway Infrastructure	\$10.0 million	Nov. 2018
Adams Library Renovation	\$30.0 million	Nov. 2020
Whipple Hall Renovation	\$20.0 million	Nov. 2020
Clarke Science Hall Renovation	\$25.0 million	Nov. 2022
Total	\$120.0 million	

Chair Crosby commended RIC on its aspirational plan with its detailed timeframe. However, she recommended that multiple, smaller GO bond requests might be more likely to result in approval. Dr. Williams asked about the efficacy of a \$25m renovation when it might be possible to build something new rather than repurposing an older building envelope. He pointed out the new student services building as an example of that.

Dr. Sanchez talked about the new space that the student services building would offer as an addition to an existing building where the new space would offer flexibility for the provision of student services rather than a heavily built structure that was designed for a single method of delivering services to students. He has the vision of this space as adaptable areas where a variety of student services might be available to students as needs evolved.

After the President's review of the GO Bond proposal projects, Dr. Sanchez talked about the auxiliary projects that were included in the College's Capital Improvement Plan. Among these projects is a new dormitory with the expectation of a third party financing potential, a renovation of the Student Union and Bookstore, and the continuing intensity of upgrades and significant maintenance on the existing dormitories.

The dormitories at RIC have been noted as particularly in need of refreshment, restoration, and (in some cases) replacement. Dr. Sanchez noted that \$3.5M in auxiliary funds had been spent on the painting, repairs, and updates in the dorms during this past summer. Mr. DelGiudice indicated that a family friend had a son whose experience in one of the worst dorms last year had completely turned around when the family saw all of the upgrades and maintenance in the dorms upon their return to campus for the fall semester. He noted how important such things are to the overall student experience.

Chair Foulkes noted that the College needs to work on its GO Bond request as well as prioritizing the renovations on the dormitories. He suggested new and innovative uses

of existing buildings such as Adams Library. As the way students learn changes, he wondered if there was any ability to repurpose existing structures. Dr. Sanchez agreed with him and pointed out the repurposing of such areas as the basement of the Adams Library. It has just lately been repurposed to provide a “one stop shop” for student academic support services and has met with success and student satisfaction.

In response to Chair Crosby’s question about the use of RIHEBC bonds for dormitories, Robert Eaton, Budget Director for RIC, reported that the debt service requirement for such a bond would require that room rates double in order to support them. A short history of the funding of dorms via GO debt was reported and Mr. Eaton indicated that Penfield Hall’s debt service is shared by the state with RIC paying 2/3 of the GO bond debt related to that project. Because of these financial realities, RIC is looking for other ways to refinance renovations or to finance the building of a new dorm facility.

**4d) Overview of Capital Improvement Plan vision for the University of Rhode Island
- Dr. Dooley**

To begin his presentation, Dr. Dooley displayed an aerial map of the Kingston campus that showed buildings that had been built or renovated since 2000. He recounted the RICAP related project requests. The Fine Arts Building, for example, had first been proposed as a GO Bond funded project. However, the University’s capital project team had suggested that RICAP funding over the course of several years would result in a quicker completion of the project and a reduction in debt service expense of \$38M over twenty years.

Chair Foulkes asked Dr. Dooley if there was revenue potential for the Fine Arts Center after renovation. While there is some potential, Dr. Dooley indicated that there could be taxation issues that might result.

Dr. Dooley then continued his presentation with the discussion of the Narragansett Bay Campus renovation project which has a proposed GO Bond financing request for 2018 of \$85M with the remaining \$10M needed by this project to come from private funding. He discussed the potential that URI has in the competition for the ocean class research vessel that will be built in the upcoming few years. The University is in competition for the Atlantic vessel in this fleet. The Narragansett Bay campus renovations would be anticipating that appointment in order to remain in the role of operator of this vessel as the entire research fleet is controlled out of URI’s Graduate School of Oceanography. Mr. DelGiudice reported that GSO’s replacement of the Endeavor is a very important issue to the region as it brings in a great deal of government funding. Dr. Dooley stated that the decision about the awarding of the new vessel will be made in calendar year 2018 as the application is due in December and must include the commitment to build the appropriate dock and other facilities for the new vessel. This ship generates income

for the University and the National Science Foundation requires that it is self-supporting.

In the continuing discussion of proposed projects, the Capital Improvement Plan requires updates on the Combined Health and Counseling Center. Because of the University's increasing enrollment and the students' needs for healthcare services on campus, the projection for this facility has increased – which needs to be reflected in the final CIP. Dr. Dooley also noted that the Agricultural Innovation District will not proceed unless there is third party interest in it in order for it to be self-sustaining. Both of these projects' CIP presentations need to be changed to reflect financing from third party funds.

Chair Crosby delivered some comments related to the Upper College Road Multiuse complex on behalf of Mr. Duffy who was unable to attend this evening's meeting. She recounted that, in September 2016, the University began the process of seeking a real estate developer to review the University's plan for the development of that parcel – a plan that had met with some controversy among Council members. The Capital Projects team developed an RFP that was sent out in the spring but did not receive appropriate and responsive bids in return. Only one bid was received and the most qualified bidders in the field had declined to bid at all.

The University's decision at that point was to return to the Committee in order to report these results. Ryan Carrillo of the Capital Projects Team reported that the reason for the best firms' decision not to bid had to do with their interest in participating in the later development of the parcel. The State's Division of Purchases had assured bidders that their bid to do the consulting analysis on the "best use" of the parcel would not impede them from later bidding for additional roles in this development project. However, all of them felt that this decision could be reversed as it has been on other similar projects and they declined to bid.

Therefore, Dr. Dooley has returned to the Committee requesting their support in the development of a full RFP for the developers themselves. The RFP would include the requirement for the development plan as well as the financing of the project. He believes that bids will only be returned if the bidders perceive that the project is a profitable one. He also recalled a meeting that he had with the Governor who asked him about the development of additional revenue streams for the University. He had indicated to her at that time that he believed that Upper College Road represented such a revenue stream. Because the bidding parties would be financing the project, Dr. Dooley believes that this financing arrangement is the way to assure that a successful design will be developed.

Vice President Abigail Rider also assured Committee members that there are additional protections that the University can include in the awarding of any such contracts. She mentioned the use of ground leases and all of the covenants that may be included in them to assure performance of the contract requirements. She told the Committee members that the trick is in the structuring of the deal and how risk is distributed. Dr. Dooley indicated that the funding requested in the CIP would be for the development of the RFP for the developers as well as for the supporting expertise to evaluate the proposals received on the development RFP. In addition, he is requesting funding to relocate staff and faculty who are currently in the deteriorating buildings that are on the site. He indicated that the University would not hire a project manager unless it looked like the project would advance after the development of the RFP. He stated that the risk is in the RFP because the responses from the market will determine if the project would progress.

Dr. Dooley believes that this is a good project as there is no clear “campus center” for the University. There are no retail outlets needed by student (pharmacies, convenience stores, etc.) and that there are currently no “walkable” amenities. He believes that there is a considerable amount of demand for on-campus meeting and event space that would be captured by a facility on Upper College Road throughout the calendar year. He reported that South Kingstown is supportive of the project as there is not enough hotel space in South County currently.

Mr. Carrillo reported that it would be a good idea to run the RFP process for both the developer and the project manager concurrently with the idea that the project manager award would only occur if the development proposals appeared to address the University’s needs. Mr. Foulkes told Dr. Dooley that this communication had not happened until today and he asked that communication on this project is improved in the future. Chair Crosby indicated that she is not in favor of putting both RFPs out concurrently.

In returning to a discussion about the potential for a GO Bond request in 2018, Chair Foulkes noted the \$85M request from the University which he said is high for 2018. A “Plan B” is being developed and will be returned to the Committee for consideration.

Mr. DelGiudice asked Dr. Dooley if there was any thought about the development of an intermodal hub for the Kingston Campus to make the campus more accessible for more students who commute. A short discussion ensued.

Chair Crosby wrapped up the discussion with her thanks to the three Presidents and their capital teams for their informative presentations and for their willingness to talk and to brainstorm with the Committee this evening.

5. ADJOURNMENT

On a motion duly made by Dr. Williams and seconded by Mr. DelGiudice, 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: Heather Crosby, Timothy DelGiudice, and Dr.
Jeffery Williams.

NAYS: 0

The meeting adjourned at 7:09 p.m.