



Enclosure 2b.
November 1, 2017

**Minutes of the Finance and Facilities Committee of the
Council on Postsecondary Education Meeting
Wednesday, October 18, 2017 5:30 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, October 18, 2017, at the Office of the Postsecondary Commissioner at 560 Jefferson Boulevard, Warwick.

At 5:30 p.m., Committee Chair Heather Crosby welcomed the Committee members and thanked everyone for their attendance at this evening's meeting.

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

Absent:

1. ACCEPTANCE OF THE AGENDA

Chair Crosby entertained a motion to accept the agenda. A motion was duly made by Mr. DelGiudice and seconded by Mr. Duffy.

Chair Crosby then called for a motion to amend the agenda to table the approval of the minutes until the next meeting of the Committee. 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 amend the agenda for the meeting of October 18, 2017 as described.

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

YEAS: Timothy DelGiudice, Dennis Duffy, Heather Crosby, and Jeffery Williams.

NAYS: 0

ABSTAIN: 0

Chair Crosby then called for a vote. On the motion duly made by Mr. DelGiudice 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 18, 2017 as amended.

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

YEAS: Timothy DelGiudice, Dennis Duffy, Heather Crosby, and Jeffery Williams.

NAYS: 0

ABSTAIN: 0

2. CHAIR'S REPORT

Chair Crosby reported that all of the Committee members had an opportunity to review the audited financial statements from the three institutions and the Division of Higher Education Assistance, and that the recommendation for approval would be on this evening's agenda.

Chair Crosby also requested that Committee and the Council receive single-page summaries that include background and analysis about the various contracts brought to both entities for review and approval. She also requested that the Commissioner and staff review and streamline the budget submission process ahead of the next budget cycle. Chair Crosby indicated that she will expect that budget process to be returned to the Committee for review at its March meeting.

Chair Crosby also indicated to the Committee members that she intended to modify the recommendation of the approval for the Capital Improvement Plan (CIP) for FY 2019-2023. Given that many of the FY2021-23 projects are a long way out and less well-defined, she hoped that the Committee would make its recommendation only those projects that are anticipated for activity during FY 2018-2020.

4. ACTION ITEM.

4a) Discussion and recommendation for approval of a Site License Agreement between the Council on Postsecondary Education and Kearsarge Solar 2 LLC for the Development and Operation of a Solar Array Project at the URI Kingston Campus.

Mr. Wyman, Assistant Vice President for Business Services at URI, reported on the Site License Agreement for the Solar Panel Array that is ready for approval. The South Kingstown Solar Consortium which includes the two towns of South Kingstown and Narragansett along with the University have solicited bids from qualified private firms to develop, own, and operate solar photovoltaic array projects on several sites including Council/ University property as well as town and privately owned sites. These projects will feed renewable, clean electrical energy into Rhode Island's electrical grid. The Consortium members will receive "Net Metering Credits" for kilowatt hours produced from the off-site and on-site solar projects over the next 25 years.

This project was pursued with the encouragement and support of the State Office of Energy Resources, the Department of Environmental Management and the authorization of the Division of Purchases.

Chair Crosby questioned the net metering credit rate of 25%. Mr. Wyman stated that the rate is actually a very good one especially in comparison to the rate of benefits available in Massachusetts on similar projects where public entities are receiving only 5-6%.

Mr. Duffy asked if the University was investing any money into the project. Mr. Wyman reported that there was no investment but that University would realize approximately 25% of its utility costs as this land produced a new revenue stream. Mr. Duffy then asked if the net metering credit sales agreement was separate. The agreement is separate and in near final form. Mr. Wyman offered to send the agreement to Dr. LaPanne for distribution to and review by the Finance Committee members so that they would be able to see both parts of the project.

Mr. Saccoccio, General Counsel for the University, stated that the site license does not allow any interest in the real estate and that the solar panel arrays are the personal

property of the vendor. If this 25-year partnership does not work out, the University has a number of options to discontinue it. If the vendor defaults, for example, the University has recourse with the financing entities.

Mr. Wyman concluded the presentation with a report on the way in which the production of power from the array would be monitored and reported in order to ensure that all clauses of the contract were followed appropriately.

In 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 recommend that the Council approve the Site License Agreement between the Council on Postsecondary Education/URI and Kearsarge solar 2 LLC for the development and operation of a solar array project at the Kingston Campus.

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

YEAS: Timothy DelGiudice, Dennis Duffy, Heather Crosby, and Jeffery Williams.

NAYS: 0

ABSTAIN: 0

4b) Discussion and recommendation to the Council on Postsecondary Education for the Acceptance of Audited Financial Statements for the Fiscal Year Ended June 30, 2017.

Dr. Susan LaPanne, Associate Commissioner of Finance and Management, reminded the Committee members that the external auditors had provided their required disclosures and reports on the financial audits at the meeting on October 11. Now that the final review process with the State's Auditor General has been completed, the Committee members can now recommend approval on the entire package of system audit statements.

Dr. LaPanne noted that the auditors' opinions on all four of the financial statements (the three institutions and DHEA) were all unqualified – or clean. She then asked if there were any questions or concerns related to the statements and there were none.

In a motion duly made by Mr. DelGiudice and seconded by Mr. Duffy, it was:

VOTED: **THAT** The Finance/Facilities Committee of the Council on Postsecondary Education recommend that the Council accept the Audited Financial Statements for URI, RIC, CCRI, and DHEA for the Fiscal Year ended 6/30/2017.

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

YEAS: Timothy DelGiudice, Dennis Duffy, Heather Crosby, and Jeffery Williams.

NAYS: 0

4c) Discussion and recommendation to the Council on Postsecondary Education for the Capital Improvement Plan for FY 2019-2023 as amended per the Committee's recommendations.

Dr. LaPanne provided a quick review of the budget process for the Capital Improvement plans as they go from Committee to Council to Board and then on to the Governor and General Assembly for approval and appropriation of funding. She reviewed the Council's duties in regard to managing facilities and reminded the Committee that the Council was steward to approximately 49% of all state assets. Dr. LaPanne provided an overview of the total Capital budget of \$1.4B over the course of the period but focused the Committee's attention on the projects on the near horizon that will be receiving approval to move forward for the current and the upcoming two years. Beyond that two-year horizon, all projects will come forward for review and approval multiple times. In fact, she noted that some of the outer year projects may never actually be brought forward for action if competing priorities overshadow them.

She noted that there were several GO bond projects proposed in this budget. Dr. LaPanne indicated that the Committee will not be deciding which of these projects will get to the GO Bond ballot question or how much the proposed bond level may be to

fund them. The Council and Board's mission is to review the proposals and then to approve them, sending them forward into the remainder of the budget process.

Dr. LaPanne categorized the projects in the Plan as follows:

- Projects to be completed in FY 2018 (funding is in place and they are progressing)
- Projects that have been approved and in progress with funding in place
- Projects seeking continuation into upcoming years with requests for continued funding
- Projects seeking approval
- Projects requested for FY 2021 and beyond

There was some discussion about the Upper College Road project with Mr. Duffy asking why the amount of funding requested had changed. Mr. Carrillo indicated that the funding went up from \$1.13M to \$1.53M as a result of the addition of a project manager. The remainder of the funds relate to the moving of faculty and staff who are currently in the two buildings on the site to alternate and improved locations. The funds are for the move and the renovation of the target space.

Dr. Dooley stated that the change in the amount requested for the combined health and counseling center was a result of the expansion of the facilities to be resident in that building.

Chair Crosby again raised concerns about any implied approval of outer year projects with a general recommendation for the full plan.

VOTED: **THAT** The Finance/Facilities Committee of the Council on Postsecondary Education recommends that the Council approves the Capital Improvement Plan for the FY 2019-2023 as presented for the Fiscal Years 2018-2020 and forward it to the Board of Education for its approval.

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

YEAS: Timothy DelGiudice, Dennis Duffy, Heather Crosby, and Jeffery Williams.

NAYS: 0

4d) Discussion and recommendation to the Council on Postsecondary Education of the Operating Budgets and Tables of Organization for the Office of the Postsecondary Commissioner, the Community College of Rhode Island, Rhode Island College, and the University of Rhode Island.

Dr. LaPanne provided an overview of the operating budget process that included review and recommendation by this Committee, the approval by the Council and then by the Board of Education. Thereafter, the operating budget for the system of public higher education will continue on to the Governor for inclusion in her budget and then to the General Assembly for their review and ultimate vote in the Budget Appropriation Act for FY 2019.

She reported that the total budget request for all funds was approximately \$1.2B divided between the unrestricted and the restricted funds. The restricted funds are those funds that include such activities as sponsored research, dining, student housing, parking, and all other enterprises that are not essential to basic education. These funds must be self-supporting and are allowed to carry net assets (which are essentially retained earnings) into future periods. These funds make up \$501M or 41% of the total budget.

The remaining 59% of the budget is dedicated to Educational and General services which are considered state funds. The institutions had submitted budget requests that compared to the FY 2018 budgets as enacted:

	FY 2018 Enacted	FY 2019 As Requested	Increase Requested
URI	77,371,073	85,710,345	8,339,272
State Crime Lab	1,201,087	1,383,596	182,509
RIC	48,188,791	50,088,791	1,900,000
CCRI	49,935,710	53,543,747	3,608,037
OPC	11,928,459	17,095,447	5,166,988
	<u>188,625,120</u>	<u>207,821,926</u>	<u>19,196,806</u>

Following the presentation of the institutional requests, Commissioner Brenda Dann-Messier gave an overview of the proposed implementation plan for performance-based funding based on the framework approved by the Council in November 2016. The plan would raise state appropriation levels by \$50 million over five years, beginning with a \$9 million increase in FY 2019.

The Committee determined that it would need more information and input on this proposal before moving forward with a recommendation. It was agreed that the Finance and Facilities Committee would meet again on November 1, 2017 to consider a full proposal, along with institutional input regarding the impact of this plan.

The Commissioner indicated that the Committee would receive materials by the Friday before the meeting.

5. EXECUTIVE SESSION

At 7:12 p.m. Chair Heather Crosby entertained a motion to enter into executive session for:

Discussion related to the potential acquisition or lease of real estate for public purposes, or disposition of publicly held property, pursuant to R.I.G.L. 42-46-5(a)(5).

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

VOTED: **THAT** The Council on Postsecondary Education convenes in executive session pursuant to R.I.G.L. §42-46-5(a)(5) for the reasons set forth above.

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

YEAS: Heather Crosby, Timothy DelGiudice, Dennis Duffy, and Dr. Jeffery Williams.

NAYS: 0

All non-Council members in the audience were excused with the exception of:

- Brenda Dann-Messier, Commissioner of Postsecondary Education;
 - Ron Cavallaro, General Counsel;
 - Susan LaPanne, Associate Commissioner, Finance & Management
 - David Dooley, President, URI
 - Abigail Rider, Vice President, URI
 - Vern Wyman, Assistant Vice President, Business Services, URI
 - Ryan Carrillo, Director, Capital Planning and Real Estate Development, URI
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The Council reconvened in open session at 7:35 p.m.

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

VOTED: **THAT** The Council on Postsecondary Education seals the minutes of the executive session held on October 18, 2017.

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

YEAS: Heather Crosby, Timothy DelGiudice, Dennis Duffy, and Dr. Jeffery Williams.

NAYS: 0

6. 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: Heather Crosby, Timothy DelGiudice, Dennis Duffy, and Dr. Jeffery Williams.

NAYS: 0

The meeting adjourned at 7:36 p.m.