



Enclosure 2.  
November 12, 2015

**Minutes of the Council on Postsecondary Education Meeting**  
**Wednesday, September 30, 2015, 5:30 p.m.**  
**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 30, 2015, at the Office of the Postsecondary Commissioner at 560 Jefferson Boulevard, Warwick, RI. At 5:32 p.m., Chair Michael Bernstein welcomed everyone. He then took roll call.

**Present:** Michael Bernstein, John J. Smith Jr., and Dr. Jeffery Williams.

**Absent:** Dennis Duffy

**1. ACCEPTANCE OF THE AGENDA**

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

**VOTED:**                   **THAT** The Finance/Facilities Committee of the Council on Postsecondary Education accept the agenda for the meeting of September 30, 2015 as presented.

**VOTE:** 3 members voted in the affirmative and no members voted in the negative as follows:

**YEAS:** Michael Bernstein, John J. Smith Jr., and Dr. Jeffery Williams.

**NAYS:** 0

## 2. APPROVAL OF THE MINUTES

### **Minutes of the Facilities Committee of the Council on Postsecondary Education's August 20, 2015 Meeting.**

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

**VOTED:**                    **THAT** *The Finance/Facilities Committee of the Council on Postsecondary Education accept the minutes of the former Facilities Committee meeting of August 20, 2015.*

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

**YEAS:** Michael Bernstein, John J. Smith Jr., and Dr. Jeffery Williams.

**NAYS:** 0

## 3. CHAIR'S REPORT

Chair Michael Bernstein indicated that he wished to forego his comments as this evening's agenda is a long one.

## 4. ACTION ITEMS.

### **a) Discussion and recommendation of the Proposed Amendments to the Lease Agreement for the Nursing Education Building with Commonwealth Ventures South Street Landing Master Tenant, LLC.**

#### **Background:**

As the Committee is aware, the Board of Education authorized the resolution related to the legislation regarding the lease terms for the Nursing Education Center at its May 12, 2014 meeting.

At the Board of Education's June 16, 2014 meeting, the Board voted to authorize the Chair to execute the Lease Agreement between the Board (and now its successor, the Council on Postsecondary Education) and Commonwealth Ventures Master Tenant, LLC, which later went

on to receive the appropriate approval of the State Properties Committee and the General Assembly in accordance with §37-6-2(d).

A Memorandum of Understanding which reinforces the language in the Lease that spoke to the inclusion of professional design and consultant services within the total capital design, construction, and financing for the RINEC Tenant Improvements was later approved by the Council at its meeting on April 1, 2015.

**Current issue for consideration:**

The Committee is now being requested to consider for recommendation to the full Council a few amendments to that original lease agreement along with additional documents to address issues raised by the project's financial partner, lender and tax credit investor. These amendments include:

1. A State Unit Purchase Credit for Retained Master Tenant Gross Profits (MGP)
2. The specification of the schedule of rent over the term of the lease from the original language ("at fair market value...based on comparable private garage rates") to specific scheduled rental rates by year, but never more than fair market value.
3. Other amendments including:
  - a. Eliminates State opportunity to finance Tenant Improvements to ensure federal tax credit availability.
  - b. Options to renew Lease or purchase NEC unit added at end of NEC Lease following expiration of Master Lease.
  - c. Changes to conform arbitration process and determinations of fair market value for lease option periods and purchase options with provisions of Brown Lease.
  - d. Inclusion of the Memorandum of Understanding as an exhibit to the Nursing Education Center lease.

In addition, approval is being sought for the following related documents:

- |              |   |
|--------------|---|
| Attachment 1 | State Unit Parking Sublease   |
| Attachment 2 | Consent Recognition and Non-Disturbance Agreement (regarding Ground Lease) – with National Grid for purposes of the State Unit Parking Sublease |
| Attachment 3 | Master Lease Recognition Agreement  |
| Attachment 4 | Subordination, Attornment and Non-Disturbance Agreement   |

(NEC Lease – Mortgagee)

Attachment 5 Memorandum of Lease (NEC space) – for recording purposes.

Attachment 6 Memorandum of Parking Garage Sublease – for recording purposes

Mr. Sean Coffey of Burns and Levinson, LLP and Mr. J. Vern Wyman were in attendance. Mr. Wyman provided the Committee with an overview of the Nursing Education Center project including a virtual tour of the floor plan and the design of some of the learning and community spaces. He discussed the preservation of some of the historic features of the building. Mr. Wyman also discussed the transportation issues surrounding the knowledge district area and the way in which the institutions were planning to address them.

Mr. Coffey provided an in depth review of the various parts of the first lease amendments.

Mr. Smith commented on the excitement that this project has generated and expressed his appreciation for the beneficial structure of this leasing arrangement. He suggested that a video memorial of this project including the history of the building be considered.

Chair Bernstein thanked the staff and the consultant who have guided this project for their excellent work. He commented that bringing staff and students from two units will be a challenge and that the first year in particular will need to be shepherded carefully. The Council will remain involved to assure its continuing success.

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

**VOTED: THAT** *The Committee recommends that the Council on Postsecondary Education approves the lease amendments to be included in the Lease Agreement and related documents as presented and pending the approval of the State Properties Committee.*

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

**YEAS:** Michael Bernstein, John J. Smith Jr., and Dr. Jeffery Williams.

**NAYS:** 0

**4b.) Discussion and recommendation of the Capital Improvement Plan – FY 2017-2021.**

Dr. LaPanne brought the Committee up to date on the revised Capital Improvement Plan which included the following updates:

- Defer Upper College road Multiuse Development until further discussion with Committee and Council.
- Reassign the financing vehicle from General Obligation Bonds for Rhode Island College's Residence Hall projects to other debt options.

Dr. LaPanne also noted that a change was made at the request of the Governor's Office to include a contribution from the state of \$2M for the Westerly Project in the CCRI Plan to be paid in two installments in 2016 and 2017.

She reiterated the concern related to the request for General Obligation Bonds for construction other than Educational and General facilities even though there had been a single exception to that rule about 15 years ago.

In addition, the Committee discussed its concerns related to the Upper College Road project. Dr. Dooley indicated that there is not a significant effort to begin this project other than the razing of the buildings which have other purposes as well. Chair Bernstein wants to study this issue in depth so that both the Committee and the Council understand the threats and opportunities of the project.

Dr. William asked about the RevPar study and its inputs and conclusions. Dr. Dooley stated that it is his belief that a Request for Proposal from developers (a hotel development RFP and a commercial development RFP) will provide market answers to the many questions that exist.

Chair Bernstein stated that it is his belief that the proper timeframe for the Committee to begin to explore this in depth is around the first of the new year. Dr. Williams encouraged the Committee to be definitive about what members will need for this discussion in order to provide the University time to assemble its information.

Dr. LaPanne introduced a new area of consideration for the Committee related to an energy opportunity that was neither an operational nor a capital budget item. But the Committee with its facilities duties has the clear authority to consider and guide the University with this potential project.

Mr. Wyman also requested that the Committee provide him with input related to a solar panel array project. This project may potentially be done as a partnership with the

Town of South Kingstown with whom the University has an excellent history of shared project completions.

Mr. Wyman is requesting the Committee's input on a request for proposal for a solar energy project that will provide renewable power to URI through a Power Purchase Agreement. Under this concept, the University provides the site for a third party developer to construct and operate a solar array to which the University has exclusive power rights. There are two sites currently being proposed for this development. One of these sites is in the town of South Kingstown and the other is the former Superfund site shared by the Town and URI. To reap the maximum benefits from an award and meet the critical timeline outlined below, the University believes that it would be in the best interest of both parties and the State if this RFP were to be solicited as a consolidated effort.

After some discussion, the Committee members agreed that this would be a good endeavor. They do require that the University returns to the Committee and the Council for approval of the commitment of land, provided that favorable economics for electrical pricing from the privately owned and operated array is the result of the bidding.

The Chair asked if there were any educational advantages for students as a by-product of the project. Mr. Wyman indicated that the RFP addresses requests in this direction for provisions such as tours of the property and other educational collaborations.

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

**VOTED: THAT** *The Finance and Facilities Committee of the Council on Postsecondary Education recommends the approval of the Capital Improvement Plan for FY 2017-2021 as presented including:*

- *Holding the Upper College Road project for further study*
- *Recommending that the solar panel array project goes forward*
- *Exploring other funding opportunities for RIC's residence halls*
- *Including the contribution to the Westerly Project.*

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

**YEAS:** Michael Bernstein, John J. Smith Jr., and Dr. Jeffery Williams.

**NAYS:** 0

**4c.) Discussion and recommendation of the Operating Budgets and Tables of Organization for the System of Public Higher Education for Fiscal Year 2017.**

Commissioner Purcell provided the Committee with a high level overview of the 2016, 2017 and projection for the 2018 operating budgets for the system.

Dr. LaPanne explained the three scenarios that were requested of the institutions and the Office and provided the Committee with an overview of the increase in expenditures from 2016 to 2017. The scenarios provided for the funding of these expenditures in the following ways:

- A request for a balance of increases in both the state appropriation request and tuition and mandatory fees increases.
- A request for no increase in tuition and mandatory fees with an increased request for state appropriation to balance the required expenditure budget.
- A request for no increase in the state appropriation request over the FY 2016 enactment with increases in tuition and fees required to balance the expenditure budget.

Dr. LaPanne stated that the recommendation for the Committee's consideration was to proceed with the scenario that freezes tuition and mandatory fees for the upcoming fiscal year. The Governor has expressed her wish to readjust the state's contribution to public higher education in a way that will begin to bring the ratios of support closer to those of other states.

The Committee members discussed their trepidation about this move but determined that this was the right course to take at this time. All agreed that the Committee and the Council will be paying special attention to the recommendations from the Executive and Legislative branches as the budget discussions begin at the state level. All are cautious to maintain a timeframe that will allow the institutions to process their financial aid offers to incoming students in a timely manner.

Dr. LaPanne indicated that the system budget package will need to be recast by the three institutions in order for the recommended scenario to flow through properly. The new packages will be prepared upon the approval of this scenario by the Council at its next meeting and in anticipation of the meeting of the full Board of Education at its meeting of October 28, 2015.

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

**VOTED: THAT** *The Committee recommends that the Council on Postsecondary Education recommends the approval of the System Operating Budget and Tables of Organization under the scenario discussed at its next meeting on October 14, 2015.*

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

**YEAS:** Michael Bernstein, Dennis Duffy, John J. Smith Jr., and Dr. Jeffery Williams.

**NAYS:** 0

**4d.) Discussion of the Impact on the Institutional Financial Statements from the Implementation of GASB 68**

Dr. LaPanne presented information to the Committee related to the Governmental Accounting Standards Board Statement #68 – Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. The essence of this new reporting requirement is to compel all governmental entities to report unfunded liabilities within the balance sheet and amortize these burdens over a period of years in a systematic fashion.

The liability is first reported as a prior period adjustment which will effectively reduce net asset balances which is the not-for-profit equivalent of retained earnings.

She expected that this may cause a decrease in net assets system wide by as much as \$200M. However, this requirement is related only to the system's portion of the state's defined benefit retirement plan. The Council's own retirement program, on the other hand, is fully funded.

The mitigating factor of all entities reporting these significant liabilities is that it is a universal mandate for all fiscal years beginning on or after June 15, 2014.

No action is necessary.



## 5. ADJOURNMENT

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

**VOTED:**                   **THAT** *The Finance and 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, John J. Smith Jr., and Dr.  
Jeffery Williams.

**NAYS:** 0

The meeting adjourned at 7:41 p.m.