

# BOARD OF GOVERNORS FOR HIGHER EDUCATION

## MINUTES OF THE MEETING OF THE July 26, 2006 FACILITIES and FINANCE and MANAGEMENT COMMITTEES

A meeting of the Board of Governors Facilities and Finance and Management Committees was held on Wednesday, July 26, 2006 at the Office of Higher Education. The meeting was called to order at 9:12 a.m. by Facilities Chairman, Frank Caprio.

*Facilities/Finance Members Present:* Governors Kenneth Aurecchia, Frank Caprio, Thomas Rockett, Daniel Ryan and Solomon A. Solomon

*Facilities/Finance Members Absent:* Governor Michael Ryan

1. **Approval of the Minutes**

The minutes of the June 21, 2006 meeting were approved as submitted.

2. **Chairman's Report**

3. **Commissioner's Report**

Commissioner Warner called attention to the Capital Improvement Plan and the Asset Protection Program on today's agenda under new business. Each year the Office of Higher Education updates a 5-year plan by adding an additional year and updating the plan to include those important capital projects that will help the institutions remain current and viable with their capital infrastructure.

The Asset Protection Program is an important component used to ensure that the Board maintains its facilities, keeping them viable and up-to-date. There is close to \$1 billion in capital investment in the system. Keeping those investments current and avoiding deferred maintenance is an important component of the management of the system.

4. **Old Business**

None

5. **New Business:**

5a. **Acceptance of the Internal Audit Report “Review of Alger Hall Renovations Project – Rhode Island College**

Chair Caprio reported that the renovation and modernization of Alger Hall, a 28,000 square foot facility of office and classroom space has a capital budget of \$5.6 million. The work consisted of among other things, asbestos removal, installation of fire protection sprinkler systems, upgrading of the bathrooms, modernization of the HVAC systems, replacement of windows and a new entrance. With the completion of this project, the Office of Higher Education (OHE) Internal Audit Unit reviewed internal controls over the project and found the controls to be adequate and effective. The project came in within its adjusted budget of \$5.6 million, met its adjusted completion date of June 2005, and included satisfactory completion of all original contract deliverables plus a number of enhancements. The internal audit included review of contracts, purchase orders, insurance and bond documents, change orders, warranties and payments.

The review found that Rhode Island College has detailed policies and procedures in place to ensure management review and authorization of all project transactions. Test procedures indicated that these policies and procedures are operating as designed.

The entire report is attached and staff are available should there be any questions from committee members.

Chair Caprio commended President Nazarian for a job well done. President Nazarian in turn commended Dr. Monterey.

*A motion was made by Governor Dan Ryan and seconded by Governor Tom Rockett*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors accept the Internal Audit report “Review of Alger Hall Renovations Project- Rhode Island College.”*

*All members present voted in the affirmative.*

5b. **Discussion and recommendation for approval of Board of Governors Capital Improvement Plan (CIP) 2008-2012.**

The Office of Higher Education has put together an Executive Summary as well as a compilation report for the Board of Governors’ FY 2008–FY 2012 Capital Improvement Plan (CIP). Packets include copies of the Executive Summary of the Capital Improvement Plan. Copies of the entire CIP document are available for committee members. Chair Caprio encouraged committee members to review the CIP document prior to the next Board meeting.

The Board of Governors plan combines the Capital Improvement Programs of the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island.

There are a total of forty-eight (48) projects included in this five-year plan. The total projected capital cost for these projects for the period FY2008 through 2012 is \$713.0 million. Of that amount, \$580.3 million is for the University, \$81.97 million is for Rhode Island College and \$50.68 million is for the Community College of Rhode Island.

Specifically, the five-year capital improvement plan recommends the following by funding source:

General Obligation Bonds	\$374.9 million
RIHEBC Bonds & Loans	\$140.6 million
RI Capital Funds	\$140.1 million
Other Funds	\$ 13.4 million
Asset Protection	\$ 1.0 million
Private funds	<u>\$ 43.0 million</u>
Total	\$713.0 million

The Facilities and Finance and Management Committees make a recommendation of acceptance to the full Board. The Board will then authorize that the plan be forwarded to the State Budget Office for inclusion in the Governor's Capital Budget. The Governor will subsequently forward his recommendations to the General Assembly for final approvals in January of 2007.

Associate Commissioner Stephen McAllister noted that the Executive Summary included in the committee packet contains specific data, including a brief description of the project, what the costs are, and the funding area. The Capital Improvement Plan provides a more in-depth description of the project, the dollar amounts and how they are spread out over the 5-year period. The Capital Improvement Plan is submitted to the State Budget Office, the House Finance Committee and the Senate Finance Committee, with a transition document from the Commissioner summarizing the documents and outlining the recommendations of the institutions. This is the beginning of the annual cycle which starts with a hearing of the Capital Development Oversight Committee.

In response to an inquiry made by Governor Rockett, it was noted that any new debt (borrowing) requires a Kushner approval.

Governor Rockett questioned the feasibility of securing a new chemistry building and a new nursing building for \$500,000. Associate Commissioner McAllister clarified that the \$500,000 budget is for planning purposes only.

President Nazarian informed the committee that Rhode Island College will have an additional 367 beds upon the completion of its new residence hall.

President Carothers questioned whether the University is obligated to complete a project that is contained in the plan at the levels of money indicated. Associate Commissioner McAllister indicated that once a project is approved by the legislature for a certain dollar amount, that amount is the outside limit, regardless of delays, market fluctuation, cost increases, etc. Associate Commissioner McAllister confirmed it is okay to spend less on a project than what has been budgeted.

Vern Wyman commented from the University's perspective that there is \$580 million worth of requested projects, but notably \$290 million is already approved and underway. The rate of investment being made on campus reflects the robust numbers. The University processed \$64 million worth of invoices during the last twelve month period in support of Independence Hall, new housing facilities, the EMS warehouse project and the Asset Protection Program.

*A motion was made by Governor Solomon A. Solomon and seconded by Governor Tom Rockett*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors for Higher Education approve the 2008-2012 Capital Improvement Plan as presented.*

*All members present voted in the affirmative.*

**5c. Discussion and recommendation for approval of Board of Governors Asset Protection Program 2008-2012**

The Office of Higher Education has also put together a compilation report for the Board of Governors' FY2008–FY2012 Asset Protection Program. This plan combines the Asset Protection Programs for the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island in one source document. As committee members may recall, asset protection funds are a part of the Rhode Island Capital Fund and are appropriated each year by the General Assembly. While a specific dollar amount is appropriated for asset protection funds each year, there is also included a multi-year appropriation which includes an annual 5% growth factor. These asset protection plans include that growth factor in the out years of the plans. For the University, the asset protection appropriation for FY2007 is \$3,990,000. For the College it is \$1,732,500 and for the Community College it is \$1,102,500.

Governor Rockett noted a discrepancy in the numbers on the table for CCRI which reads \$1.3 million and the introduction which reads \$1.1 million. Associate Commissioner McAllister clarified that often times there are carryover funds from the previous year that get rolled forward. This explains the discrepancy between the actual capital budget plan for the year and the appropriation.

*A motion was made by Governor Ken Aurecchia and seconded by Governor Dan Ryan*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors for Higher Education approve the 2008-2012 Asset Protection Program as presented.*

*All members present voted in the affirmative.*

**5d. Discussion and recommendation for approval of the Board of Governors Vehicle Replacement Program**

The Office of Higher Education has put together a compilation report for the Board of Governors' Vehicle Replacement Program. This plan combines the Vehicle Replacement Programs for the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island in one source document. This is the first year that the State Administration has asked that this plan be included with the Capital budget submittals. This document, plus the CIP and Asset Protection program are combined together to make up the full submission of the Capital Budget request to the State Budget Office. This is the beginning of the approval process needed for a project to be duly authorized and funded.

This is a cash flow management tool for the Department of Administration. This year the Department of Administration surveyed all state agencies, including the colleges and university, to determine the plan for the replacement of vehicles over the next three years. The DOA is taking a proactive approach in planning for the future purchase of vehicles.

While the process does not eliminate an institution's ability to replace a vehicle during the year if a problem develops; it does still require the institution to make such a purchase through State Fleet.

It was noted that the University has a total of 70 vehicles; Rhode Island College has a total of 39 vehicles; and CCRI has a total of 30 vehicles. These numbers include tractors and golf carts.

*A motion was made by Governor Solomon A. Solomon and seconded by Governor Ken Aurecchia*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors for Higher Education approve the Vehicle Replacement Program as presented.*

*All members present voted in the affirmative.*

**5e. Acceptance and approval of updated “University of Rhode Island Parking Regulations – August, 2006”**

The University is requesting Board approval to adopt the updated “University of Rhode Island Parking Regulations-August 2006.” The proposed changes to the parking regulations, as well as the reasons for the proposed changes, are summarized in the committee’s enclosures. Also included in the packet is a complete set of the proposed parking regulations. Among the significant changes to the parking regulations:

- A specific referral to the University’s Parking Services website for detailed information and for on-line purchase of parking permit decals.
- A policy statement reflecting practice, whereby students on campus during the Summer Session and summer months are not required to purchase or display a parking permit decal
- Clarifying information about permit decals, their display, their replacement, the permit decal fee refund policy, and the requirement for students and staff to update their vehicle or address information associated with their issued permit through the Parking Services website
- Clarification that all fraternity and sorority parking lots on University property require the purchase and display of the appropriate permit decal.
- Notice of evening parking exceptions to facilitate visitor and student access to facilities and programs during evening hours.

Representatives from the University are available should committee members have any questions.

A brief discussion ensued relative to parking arrangements for Board members at the University of Rhode Island.

***A motion was made by Governor Tom Rockett and seconded by Governor Solomon A. Solomon***

***THAT the Facilities and Finance and Management Committees recommend that the Board of Governors for Higher Education approve the University’s Request to adopt the updated “University of Rhode Island Parking Regulations – August, 2006.***

***All members present voted in the affirmative.***

**The meeting adjourned at 9:42 a.m.**

# BOARD OF GOVERNORS FOR HIGHER EDUCATION

## MINUTES OF THE MEETING OF THE June 21, 2006 FACILITIES and FINANCE and MANAGEMENT COMMITTEES

A meeting of the Board of Governors Facilities and Finance and Management Committees was held on Wednesday, June 21, 2006 at the Office of Higher Education. The meeting was called to order at 9:08 a.m. by Facilities Chairman, Frank Caprio, who co-chaired the meeting with Finance Chair, Michael Ryan.

*Facilities/Finance Members Present:* Governors Kenneth Aurecchia, Frank Caprio, Thomas Rockett, Mike Ryan, Daniel Ryan and Solomon A. Solomon

*Facilities/Finance Members Absent:* None

1. **Approval of the Minutes**

The minutes of the April 26, 2006 meeting were approved as submitted.

2. **Chairman's Report**

3. **Commissioner's Report**

Commissioner Warner noted that there were two major items of interest on today's agenda that are related to one another: (1) Discussion of the revised FY 2006 and the new FY 2007 budgets; and (2) Recommendation of tuition and fee increases.

The Commissioner reported that the FY 2007 budget, combined with the rescinded numbers that were returned in FY 2006 present the institutions with certain challenges. As a result, there will be a recommendation for an adjustment to the tuition and fee increases at the institutions in order to close some of the gap left by budget shortfalls.

In the fiscal 2006 budget \$3.4 million was taken at mid-year which reduced the budget from \$182.4 million in general revenue support down to \$178.9 million. The proposed budget reduces another \$3.5 million from our request for a total of \$185.2 million. Although this is a modest increase over last year in terms of

percent growth, it does not begin to meet inflation, salary increases and other demands placed on the budget.

The Commissioner's recommendation for tuition relief charts a course between ensuring a level of quality at the institutions while maintaining affordability. The resulting numbers will keep Rhode Island relatively low among New England states in terms of tuition and fee charges.

4. **Old Business**

a. **Update on Administrative Systems at CCRI and URI**

Chairman Caprio noted that this is an informational item only and no action is required by the committees.

Chair Caprio reported that the University of Rhode Island is in the process of negotiating a new maintenance contract with Oracle. They have also completed the upgrade of the PeopleSoft financial module. The Community College reports that their workgroups are focusing on admissions, finance and human resource issues. The major focus of the implementation process involves training for the end users of the system.

Representatives from the institutions are available should there be any questions.

b. **Acceptance of the Internal Audit Activity Report for the Quarter Ending 3/31/06**

This is an informational item only and no action is required by the committees.

Chairman Caprio reported that the quarterly report from the Internal Audit Unit describes some of the major projects undertaken during the period between January 1, 2006 and March 31, 2006. Among the projects cited is the update of the Faculty Assignment Practices Review at CCRI.

5. **New Business:**

5c. **Recommendation for approval of 2006-2007 Tuition Rates for Henry Barnard School**

Chair Caprio reported that President John Nazarian is requesting that the Board of Governors establish the tuition rates for Henry Barnard School for the 2006-2007 fiscal year. The rates recommended by President Nazarian are:



Pre-School	\$7,630 (5.25% over FY06)
Kindergarten	\$5,820 (5.25% over FY06)
Grades 1-5	\$5,725 (5.0% over FY06)

Supporting documentation from the Henry Barnard School Tuition Rate Setting Committee is available in the Office of Higher Education.

***A motion was made by Governor Solomon A. Solomon and seconded by Governor Daniel Ryan***

***THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the tuition rates for Henry Barnard School for the 2006-2007 fiscal year as presented.***

***All members present voted in the affirmative.***

**5d. Request by the University of Rhode Island for approval to remove a structure at 22 East Alumni Avenue, Kingston, Rhode Island**

Chair Caprio reported that the University of Rhode Island is requesting approval to remove a structure at 22 East Alumni Avenue, Kingston, Rhode Island. As noted in a memo from J. Vernon Wyman, the Board of Governors approved the University's proposal for a revised Capital Improvement Project (CIP) to acquire and remove the vacant Theta Delta Chi fraternity house located at 22 East Alumni Avenue and construct an addition to the University's adjacent Tyler Hall building on the current house site.

Consistent with the above project commitment and the recent approvals by the Board of Governors and State Properties Committee of the Purchase and Sales agreement, the University would like to proceed with the removal of the Theta Delta Chi fraternity house in preparation for the construction of the Tyler Hall addition.

***A motion was made by Governor Thomas Rockett and seconded by Governor Daniel Ryan***

***THAT the Facilities and Finance and Management Committees recommend to the Board of Governors approval of the University's request to remove the structure at 22 East Alumni Avenue and restore the open property to community standards, and***

***THAT the approval of the State Properties Committee be sought as required.***

***All members present voted in the affirmative.***

5a. **Discussion of revised FY 2006 and FY 2007 budgets for the University of Rhode Island, Rhode Island College, the Community College of Rhode Island and the Office of Higher Education**

Finance Chair Michael Ryan reported that on June 13, 2006 the House Finance Committee released its budget recommendations for the revised FY 2006 budget and for the FY 2007 budget. On June 19, 2006 the full House voted on the state budget. The House Finance Committee and the House is recommending that state funding for the FY 2006 higher education budget enacted last June be reduced by \$3.4 million as recommended by Governor Carcieri. As committee members may recall, the legislature now appropriates four separate appropriation line items for the higher education system rather than one single account for the system. The recommended appropriation with debt service transfer for the higher education system is \$191.1 million.

Finance Chair Ryan provided an overview of the proposed budget as well as a comparison of the major changes between the Governor's recommendations and the House Finance Committee recommendations. In addition Finance Chair Ryan reported on capital budget items and other statewide budget items.

This is an informational item only and no vote is required at this time.

In response to an inquiry made by Governor Rockett, it was noted that the institutions were notified that the budget would be reduced by \$3.4 million in January of 2006.

Associate Commissioner McAllister explained the process for how legislative grants pass through the budget by way of appropriation. Commissioner Warner noted that since the pass throughs are direct grants from the legislature, there is no expectation that they are monitored or audited.

President Nazarian commented on the gap between the proposed budget and tuition and fees at Rhode Island College. In terms of tuition, Rhode Island College is the lowest in its peer group and below the national mean. President Nazarian is unsure how he will continue to maintain a quality, yet affordable institution without additional revenue.

Finance Chair Ryan indicated that the committee is trying to strike a balance between accessibility and affordability in accordance with the Board's mission.

Commissioner Warner is cognizant that announcing an increase in tuition rates in September surprises students and their families and makes it difficult for them to plan a budget and to make their financial schedules adjust to the rate increases. The Commissioner noted that an increase in tuition rates is

only being considered because the budget presents a particular challenge not just in the FY 2007 budget, but also in the impact of the FY 2006 budget. The Commissioner noted that the expected budget shortfall represents approximately 2% of the operating budget for the higher education system.

**5b. Discussion and recommendation for approval of tuition and fee rates for the University of Rhode Island, Rhode Island College and the Community College of Rhode Island for FY 2007**

Facilities Chair Ryan reported that based upon the budgets submitted by the institutions, the Board of Governors approved in-state tuition and fee increases of 6% at the University, 4.7% at Rhode Island College, and 3% at the Community College, as well as out-of-state increases of 7.1% at the University, 4.9% at Rhode Island College, and 3.3% at the Community College.

Since that approval last September, the House Finance Committee's general revenue budget recommendation for FY 2007 was \$3.5 million less than the Board approved request. The reductions in FY 2007 have been compounded by the further cuts to the budget base of \$3.4 million in FY 2006, as recommended by the Governor and agreed to by the House Finance Committee.

Facilities Vice Chair Ryan provided the projected shortfall for each institution along with the recommended increase in tuition and fees. In summary, it is recommended that the Board of Governors approve in-state tuition and fee increases of 6.0% at the University of Rhode Island, 6.0% at Rhode Island College, and 8.7% at the Community College of Rhode Island and out-of-state increases of 7.5% at the University of Rhode Island, 7.5% at Rhode Island College and 8.9% at the Community College of Rhode Island for FY 2007.

***A motion was made by Governor Rockett and seconded by Governor Aurecchia***

***THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the recommended tuition and fee increases for FY 2007 as presented.***

There was further discussion on the projected shortfalls and revised budgets.

President DiPasquale indicated that CCRI has taken the following steps: (1) eliminated 4 major administrative positions; (2) CCRI will review all policies; and (3) CCRI will develop a strategic plan in the fall that will focus on what CCRI can deliver efficiently and what CCRI cannot deliver efficiently. It was noted by President DiPasquale that financial aid will cover a considerable amount of the tuition increases on behalf of the students.

President Nazarian noted that even with the increase of 6% in tuition and fees, Rhode Island College will still have a gap of roughly \$1.8 million and urged the committee for an increase greater than 6%.

*After further discussion, all members present voted in the affirmative.*

Commissioner Warner provided the committee with an update on Ocean State University. Commissioner Warner has testified against the legislation that would allow Ocean State University to grant degrees at the associate, bachelor's and master's levels because it was overly broad and exempted Ocean State University from any and all rules, regulations, and laws. Commissioner Warner is drafting a cease and desist letter to shut down the Ocean State University web site.

**The meeting adjourned at 9:58 a.m.**

# BOARD OF GOVERNORS FOR HIGHER EDUCATION

## MINUTES OF THE MEETING OF THE April 26, 2006 FACILITIES and FINANCE and MANAGEMENT COMMITTEES

A meeting of the Board of Governors Facilities and Finance and Management Committees was held on Wednesday, April 26, 2006 at the Office of Higher Education. The meeting was called to order at 9:10 a.m. by Facilities Chairman, Frank Caprio, who co-chaired the meeting with Finance Chair, Michael Ryan.

*Facilities/Finance Members Present:* Governors Kenneth Aurecchia, Frank Caprio, Mike Ryan, Michael Schuster, and Solomon A. Solomon

*Facilities/Finance Members Absent:* Governors Thomas Rockett and Daniel Ryan

1. **Approval of the Minutes**

The minutes of the March 22, 2006 meeting were approved as submitted.

2. **Chairman's Report**

3. **Commissioner's Report**

4. **Old Business**

a. **Update on new State Audit requirements – RI Consolidated Annual Financial Report (CAFR)**

Chairman Caprio noted that this is an informational item only and no action is required by the Committees.

Chair Caprio reported that there are new timetables that must be met by the three public institutions of higher education in order to submit final audited statements to the State Controller by September 30, 2006.

Associate Commissioner Stephen McAllister provided an update on the new guidelines promulgated by the State regarding the Rhode Island Consolidated Annual Financial Report (CAFR). A concerted effort by the

Auditor General and State Controller to produce the financial statement by December 31, 2006 required a more streamlined process by the institutions to produce reports 4 to 6 weeks earlier than in previous years. This new timetable will require all three institutions to reassess their current business process.

**b. Update on Administrative Systems at CCRI and URI**

Chairman Caprio reported that the University of Rhode Island is in the process of negotiating a new maintenance contract with Oracle. In addition, as a direct result of the Board's Human Resources Task Force recommendation, the E-recruit module is being evaluated for implementation at both URI and Rhode Island College. CCRI reports that their workgroups are focusing on admissions, finance and human resource issues. The major focus of the implementation process involves training for the end users of the system.

**5. New Business:**

Chairman Caprio reviewed the facility-related items as follows:

**5a. Semi-annual update on status of capital projects**

Chair Caprio indicated that the semi-annual capital projects update report provides the institutions with a formal, uniform vehicle to advise the Office of Higher Education and the Board on the progress of various projects. The actual report summarizes each project by listing the budget for the project, the general contractor involved, the projected start and completion dates as well as an estimate of how close to completion the projects are as of the report date.

The Community College reports that the Newport Campus project is essentially complete with some outstanding punch list items still to be finished. As a result of the delay in completing this project, there are, however, claims of additional costs which are a topic of ongoing discussions.

Rhode Island College has begun the construction process for the new \$30 million residence facility. This project is expected to be completed by May of 2007.

The University of Rhode Island has 20 projects listed in the report. The renovation of Independence Hall, the largest classroom facility on campus, is approximately 40% complete. The three new student apartment projects are

moving along with one building scheduled to be opened in the fall of 2006, a second building shortly thereafter, and the third building by January 2007.

Associate Commissioner Stephen McAllister indicated that many renovation projects rely on asset protection funds.

In response to an inquiry made by Governor Schuster, Associate Commissioner McAllister confirmed that asset protection funding was only being used on renovation projects and not on original construction.

**5b. Recommendation for approval of purchase and sales agreement by the University of Rhode Island and associated approval of the resolution required by the Public Debt Management Act.**

Chair Caprio reported that the University of Rhode Island is requesting Board approval of the draft Purchase and Sales agreement for the acquisition of a 131 acre parcel of land on Plains Road in South Kingstown; more particularly referred to as Tax Assessor's Plat 15-3 with the exception of 17.34 acres of Lot 1, which is the former West Kingston Town Dump Superfund site. This land is immediately north and contiguous to the University.

This draft is before the committee because if approved, the associated debt financing must also be approved by the General Assembly during this legislative session.

Any new debt is subject to legislative approval under the Public Debt Management Act (Kushner resolution). The University has prepared a draft resolution which, if approved, will be forwarded to the Governor and General Assembly for inclusion in the FY2007 Appropriation Act.

Vice President Robert Weygand indicated to the committee that negotiations relating to the Purchase and Sales agreement continue; therefore, the agreement in its current format is null and void. Mr. Weygand noted that the parcel of land in question is surrounded on three sides by University of Rhode Island property and encompasses 114 acres of land versus 131 acres. Mr. Weygand anticipates having a final draft available for the committee's approval within a couple of weeks.

***A motion was made by Governor Michael Ryan and seconded by Governor Michael Schuster***

***THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the proposed Purchase and Sales Agreement for the acquisition of a 114 acre parcel on Plains Road to Old North Road, Tax Assessor's Plat 15-3 Lot 1 in the Town of South***

***Kingstown; subject to review and approval by the Board's Legal Counsel, and further***

***THAT the lease be forwarded to the State Properties Committee for approval.***

***AND THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the draft resolution as required under the provision of the Public Debt Management Act.***

***All members present voted in the affirmative.***

**5c. Recommendation for approval of a three year contract for the system's independent Auditing Firm**

Vice Chair Michael Ryan reported that the Board of Governors for Higher Education has sought to engage a firm of certified public accountants to audit the financial statements of each of the three institutions in the system of public higher education. The certified public accountants will also perform A-133 single audits at each of the three institutions, as well as other accounting services as delineated in the bidding process.

Two certified public accounting firms responded to our request for proposals. A technical review committee consisting of controllers and the Director of Internal Audit at OHE reviewed the two responses, scored the proposals based upon certain criteria, and made a recommendation as to which firm should be awarded the three year contract. The audit contract will cover the three fiscal years ending June 30, 2006, 2007 and 2008.

The technical review committee unanimously recommends the selection of KPMG, LLP. The technical review committee's evaluation report and recommendation is attached to today's agenda.

***A motion was made by Governor Solomon A. Solomon and seconded by Governor Kenneth Aurecchia***

***THAT the Facilities and Finance and Management Committees recommend to the Board of Governors that a three year audit contract be awarded to KPMG, LLP for the fiscal years ending on June 30, 2006, 2007 and 2008.***

***AND Further, that the award be subject to review and approval by the Department of Administration and the State Auditor General as required by state statute.***



A discussion took place relating to the evaluation process and the criteria used by the technical review committee. Associate Commissioner McAllister noted that one of the requirements in the selection process was that the certified public accounting firm possess expertise in auditing research institutions.

Vice Chair Ryan expressed thanks to Sharon Bell at the University, Al Sevigny at the Community College, Carl Toft at the Office of Higher Education, Paul Forte at Rhode Island College, and Associate Commissioner Stephen McAllister for their efforts in the technical review process.

*All members present voted in the affirmative.*

**5d. Request by the University of Rhode Island for approval of an exemption request by Professor Peter Cornillon pursuant to the Public Private Partnership Act.**

Frank Caprio reported that the University of Rhode Island is requesting approval of a request for an exemption filed by Professor Peter Cornillon pursuant to the Public Private Partnership Act. Professor Cornillon's request was filed with the University Conflict of Interest Management Committee, which reviewed the request and recommended approval with a management plan.

Sandra Lanni, General Counsel to the Board of Governors, provided background information relating to Professor Cornillon's request for an exemption. His request relates to a particular cooperative agreement between the National Aeronautics and Space Administration (NASA) and the University of Rhode Island and a subagreement between the University and a company formed by Professor Cornillon known as OPeNDAP Inc. Ms. Lanni summarized Professor Peter Cornillon's previous and revised roles in OPeNDAP as well as the management plan proposed by the University's Conflict of Interest Management Committee.

Ms. Lanni indicated that NASA has recognized the conflict of interest inherent in the agreement between the University of Rhode Island and OPeNDAP Inc. and has accepted the University's approach to manage the conflict.

The University's Conflict of Interest Management Committee's proposed management plan, together with certain additional management requirements which have been added to the proposed plan, fulfill the purposes of the Public Private Partnership Act by facilitating Professor Cornillon's research at the University of Rhode Island while ensuring that oversight of OPeNDAP Inc., in its agreement with the University, is managed by individuals who have no

ties to or interest in OPeNDAP Inc. and by realigning supervisory responsibility over Dan Holloway, who is both a University and an OPeNDAP Inc. employee.

Ms. Lanni recommends that the Facilities and Finance and Management Committees recommend that the Board of Governors approve Peter Cornillon's request for an exemption, conditioned upon implementation of the management plan proposed by the Conflict of Interest Management Committee at the University of Rhode Island, together with the following modifications to that plan:

1. Because Dan Holloway is employed by OPeNDAP Inc., he will henceforth report to and be evaluated by someone other than Professor Cornillon.
2. The function of University Project Officer will be assumed by a sub-committee of the University's Conflict of Management Committee, which will distance Professor Cornillon from supervision over OPeNDAP on behalf of the University.
3. Professor Cornillon will file separate disclosures of outside activities and financial interests for any OPeNDAP grants in which he is a Principal Investigator.

Professor Cornillon was at today's meeting to answer any questions.

*A motion was made by Governor Michael Schuster and seconded by Solomon A. Solomon*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the request for exemption filed by Professor Peter Cornillon, subject to and conditioned upon the recommended management plan.*

Governor Schuster recognized the considerable research record and contributions made to the School of Oceanography by Professor Peter Cornillon.

*All members present voted in the affirmative.*

**The meeting adjourned at 9:43 a.m.**

# BOARD OF GOVERNORS FOR HIGHER EDUCATION

## MINUTES OF THE MEETING OF THE March 22, 2006 FACILITIES and FINANCE and MANAGEMENT COMMITTEES

A meeting of the Board of Governors Facilities and Finance and Management Committees was held on Wednesday, March 22, 2006 at the Office of Higher Education. The meeting was called to order at 9:10 a.m. by Facilities Chairman, Frank Caprio, who co-chaired the meeting with Finance Chair, Michael Ryan.

***Facilities/Finance Members Present:*** Governors Frank Caprio, Thomas Rockett, Mike Ryan, Michael Schuster, and Solomon A. Solomon

***Facilities/Finance Members Absent:*** Governors Kenneth Aurecchia and Daniel Ryan

1. **Approval of the Minutes**

The minutes of the February 22, 2006 meeting were approved as submitted.

2. **Chairman's Report**

3. **Commissioner's Report**

Commissioner Warner provided some background information relating to conflict of interest issues that arise at the institutions from time to time. Rather than form a separate committee at OHE to handle such matters, the Facilities and Finance/Management Committees will handle them. General Counsel Sandra Lanni has been attending conflict of interest committee meetings at the University and will address the Committees to inform them of the Public Private Partnership Act and the Board's policies and procedures relating to the Act.

4. **Old Business**

a. **Internal Audit's Quarterly Report for Quarter Ending 12/31/05**

Chairman Caprio noted that this is an informational item only and no action is required by the Committees.

Chair Caprio indicated that this report contains an outline of current activities undertaken by the internal audit unit as well as the "Stewardship Report" which provides the Committees with a status report on open audit issues. Staff are available should Committee members have any questions.

In response to an inquiry made by Governor Rockett, Paul Forte confirmed that Rhode Island College has no findings in the A-133 Audit and Management Letter for the year ending June 30, 2005.

**b. Update of URI and CCRI Administrative Systems**

Chairman Caprio noted that this is also an informational item and no action is required by the Committees.

The University reports that they are on target to complete the upgrade of the PeopleSoft financial module to version 8.9 as scheduled. The Community College reports that their workgroups are focusing on admissions, finance and human resource issues. They have also reported that the College has completed the migration from the Banner version 6.x to Banner 7.3. In order to accomplish this, the Oracle data base and application server had to be upgraded. Representatives from the institutions are available should there be any questions.

In response to an inquiry made by Governor Rockett, Al Sevigny confirmed that the human resources system at CCRI went on-line in January, 2006.

**5. New Business:**

**Chairman Caprio reviewed the facility-related items as follows:**

**5c. Cingular Wireless Telecommunications Antenna Site License**

The University of Rhode Island is requesting Board approval to provide Cingular Wireless with access to the University water tower to mount and maintain a digital communication antenna. This would be a five year agreement with options to renew for three additional five year periods. The initial agreement will provide income of \$25,836 per year to the University. In addition to improving the wireless communication capacity at the University, the installation of this antenna will also provide the opportunity to supplement the emergency phone system on campus. Representatives from the University are available to respond to any questions Committee members may have.

In response to an inquiry made by Chair Caprio, Vern Wyman confirmed that a small building will be maintained at the base of the antenna site, with all costs associated therewith to be assumed by Cingular Wireless.

*A motion was made by Governor Michael Schuster and seconded by Governor Solomon A. Solomon*

*THAT the Board of Governors approve the proposed communications site license agreement which provides to New Cingular Wireless, PCS, LLC., access to the University water tower and adjacent land in order to erect and maintain a digital communications antenna; subject to review and approval by the Board's legal counsel, and further*

*THAT the lease be forwarded to the State Properties Committee for approval.*

*All members present voted in the affirmative.*

**5d. Lease Between CCRI/BOG and West Bay Community Action**

Due to pending issues that remained outstanding at the time of today's meeting, this matter was pulled.

**5e. Background Briefing and Orientation on the Public/Private Partnership Act**

In 2003 the legislature, with the support of the Governor, the RI Ethics Commission, the RIBGHE, and industry representatives enacted into law the Public Private Partnership Act, R.I.G.L. §16-59-26, which allows each of our public institutions of higher education to enter into public/private partnerships involving faculty and staff members. This Act creates a procedure for exempting certain relationships in higher education that would otherwise be prohibited by the RI Code of Ethics in order to encourage the marketing of inventions developed by faculty and staff.

The RIBGHE adopted policies and procedures, in consultation with the RI Ethics Commission, for the implementation of the Public Private Partnership Act.

In anticipation of the Committee's review of upcoming requests, Board Counsel Sandra Lanni reviewed the provisions of the Public Private Partnership Act and the Board's policies and procedures relating to the Act. Attorney Lanni also reviewed the requirements of the application process

when a professor requests an exemption pursuant to the terms of the Public Private Partnership Act.

**5a. Recommendation on the A-133 Audits and Management Letters for the year ending June 30, 2005**

KPMG has issued the A-133 audits and management letter comments for the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island for the fiscal year ended June 30, 2005.

The A-133 audits are required for institutions that receive federal funds covered under OMB Circular A-133. Each of the institutions' major federal programs is reviewed for compliance with the laws, regulations, contracts, and grants applicable to these federal programs. The management letters provide comments by KPMG on the internal controls and operational matters of each institution.

The reports indicate that:

- The three institutions received unqualified (clean) opinions on compliance with requirements applicable to major federal award programs. No material weaknesses in internal control over financial reporting were reported.
- Five non-material internal control findings were noted at the University, none at the College, and one at the Community College.
- Management letter comments focused on the need for reporting accounts receivable and related allowance for bad debts on a consistent basis among the three institutions, improving cash controls, and documenting policies and procedures.

Committee members may recall that the issue of accounts receivables and allowances has been previously raised by Governor Michael Schuster. There is currently a workgroup consisting of representatives from the three institutions and the Office of Higher Education working on a uniform process.

Governor Michael Schuster noted that Sections 4-5 of the URI and RIC "Management Discussion and Analysis" were not of a standardized format. Associate Commissioner McAllister stated this was a legitimate point and will take not to standardize in the future.

***A motion was made by Governor Michael Schuster and seconded by Governor Solomon A. Solomon:***

**THAT the Board of Governors accept the A-133 Audits and Management Letter Comments for the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island for the Fiscal Year Ended June 30, 2005**

*All members present voted in the affirmative.*

**5b. Status of Internal Audit Report on “Community College of Rhode Island Faculty Assignment Practices”**

Approximately one year ago a report was issued by the Office of Higher Education entitled “Community College of Rhode Island Faculty Assignment Practices.” That report focused on a number of management issues including, teaching loads, class scheduling practices, adjunct faculty recruitment and other related payroll issues. Eight major recommendations were made to the management of CCRI to improve the areas highlighted in the audit report. Today’s status report indicates that six recommendations have been either fully implemented or substantial progress toward implementation has been made. However, two recommendations require significant attention. The master class scheduling process still requires additional work as well as implementation of sufficient internal controls over certain payroll transactions. While manual payroll internal controls are in place, automated controls are dependent upon implementation of the Banner human resources/payroll system. Staff are available, should committee members have any questions.

There is no vote required on this agenda item.

Governor Michael Schuster inquired as to whether the Banner system was the best system for the Community College versus PeopleSoft. President DiPasquale believes that the Banner system is in fact the best system for CCRI.

**The meeting adjourned at 9:50 a.m.**

February 22, 2006  
/a**BOARD OF GOVERNORS FOR HIGHER  
EDUCATION****MINUTES OF THE MEETING OF THE  
January 11, 2006 FACILITIES and  
FINANCE and MANAGEMENT  
COMMITTEES**

A meeting of the Board of Governors Facilities and Finance and Management Committees was held on Wednesday, January 11, 2006 at the Office of Higher Education. The meeting was called to order at 9:00 a.m. by Finance Chair, Michael Ryan.

***Facilities/Finance Members Present:*** Finance Chair Michael Ryan, Governors Aurecchia, Rockett, Schuster, and Solomon

***Facilities/Finance Members Absent:*** Facilities Chair Frank Caprio and Governor Daniel Ryan.

1. **Approval of the Minutes**

The minutes of the November 16, 2005 meeting were approved as submitted.

2. **Chairman's Report**

3. **Commissioner's Report**

Commissioner Warner updated the Committees on the 2006 and 2007 budgets. He said the Governor made some recommendations that were shared confidentially with the institutions. He said he was not at liberty to discuss the exact figures because that would preempt the Governors budget announcement, which should take place in a couple of weeks.

The Commissioner noted that for the 2006 budget, higher education asked for some relief on its share of the projected state's \$77 million shortfall because higher education was not given credit for some retroactive pay increases, for utility adjustments and for some other matters in which credit was given to other state agencies.

The Commissioner said that the proportionate reductions to the 2006 budget were shared with the institutions so they can work with those numbers so that each institution can finish in the black as they are obligated to do. The initial request was for higher education to cut back 4.4% but after all the adjustments, etc., it came down to a net 3%.



With respect to the fiscal 07 budget, the Commissioner noted that the Governor's recommendations should be roughly within the amounts that the Board requested. He said next month the Finance Committee will review the mid-year reports from the institutions and by that time, the Governor will have announced his budget and the details can be presented to the Committees.

4. **Old Business**

Chair Ryan reported that there is only one item under Old Business – *4a—Update of URI and CCRI Administrative Systems*. He said the reports from the schools arrived too late to be included in the agenda mailing but were distributed to the Committee members. He noted that no vote is required.

Associate Commissioner McAllister noted that one of the main focuses of the Cost Savings Technology group, chaired by Governor Rockett, was to open the lines of communication among the three institutions in terms of technology needs and sharing of resources. He said because of the cooperative nature of the work between Rhode Island College and the University, higher education was able to obtain almost free software for Rhode Island College. This was accomplished because of the joint purchasing effort that both Rhode Island College and the University instituted together.

Provost Beverly Swan, representing President Carothers, informed the Committees that the University is losing its Technology Director, Chris Wessells. She said Chris did a wonderful job since Paul Gandel's departure and the University will surely miss him. She said Chris has accepted a job at the University of San Diego.

5. **New Business**

a. **Recommendation on URI's Request to Grant Easement to Rol-flo Engineering Property for Water Line Installation**

Chair Ryan noted that this is a request from the University for approval of a Grant of Easement for the extension of water service on land acquired by the University in 1984. Owners of two adjacent buildings on this property shared access to the entry drive and the University-operated water service. In 1997, URI and the two adjacent property owners agreed to tie into a new water service along Liberty Lane. One owner was able to directly connect to the service; the other (Rol-flo Engineering Property) needs access across the University's property. Rol-flo is planning to sell its building and land and needs the grant of easement for the extension of the water service.

*A motion was made by Governor Rockett and seconded by Governor Solomon:*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the Grant of Easement as presented, and further*

*THAT the Grant of Easement be forwarded to the State Properties Committee for approval.*

*All members voted in the affirmative.*

**b. Recommendation on Independence Square II Expansion Project – Proposed Lease of Space for the University’s Kinesiology Program**

Chairman Ryan reported that 5b is a request from the University for Board approval to relocate the Department of Kinesiology from its current location in Tootell and Keaney Gymnasium to Independence Square II. It also involves a request for approval to authorize the Department of Kinesiology to enter negotiations with the Foundation to lease space in the expanded facility. He then asked Bob Weygand to brief the Committees.

Vice President Weygand noted that as part of the University’s attempt to meet a number of requirements within Athletics, the concept was to move Kinesiology out of the athletic complex into Independence Square II where there already are existing leases. The Independence Square II Foundation is proposing to build a two-story building on the ground lease plan that URI has already leased to them. URI would lease back 15,000 sq. ft. out of the 23,000 sq. ft. facility for Kinesiology classrooms as well as offices. It would be a 10-year lease with a 10-year extension. At the end of the ground lease for the Independence Square, the buildings and the land would go back to the University.

*A motion was made by Governor Solomon and seconded by Governor Aurecchia:*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the University’s requests:*

- *To relocate the Department of Kinesiology from its current location in Tootell and Keaney Gymnasium to Independence Square II, and further*
- *To authorize the Department to enter negotiations with the Foundation to lease space in the expanded facility.*

*All members voted in the affirmative.*

c. **Recommendation on Acceptance of the Final Audited Financial Statements for the University of Rhode Island, Rhode Island College and the Community College for the Fiscal Year Ended June 30, 2005**

Chairman Ryan reported that this agenda item includes audited financial statements issued by KPMG for the Community College, Rhode Island College, and the University for the year ended June 30, 2005. He said that Stephen Caron, the KPMG partner in charge, was present to give the Committees a brief overview of what these audit reports contain. He noted that all three institutions were given an “unqualified” or clean opinion for the fourth consecutive year.

Chair Ryan then introduced Stephen Caron.

Steve Caron noted that KPMG issued its unqualified opinions in each of the institutions on time which, he said, speaks as much to the schools’ management as it does to the timing of the audits. He said it was his first year as audit partner working directly with the schools. He is very impressed with the quality of the people he has worked with and the diligence they have shown in performing their work.

He said he is concerned that each of the schools has an operating deficit even after considering operating cash flows and the state operating appropriation. Each of the institutions has a deficit of two to five percent. He said that is unusual in his estimation, that most of the state school systems that he has worked with are probably at a breakeven point or have a slight surplus.

He noted the following:

- The three schools have improved their financial positions during the year, they were all better off at the end of the year than they were at the beginning of the year.
- He noted that a great deal of that improved help came about as a result of state capital appropriations and gifts.
- The three balance sheets with respect to the unrestricted net assets and the equity are fairly nominal and in two cases are negative. That’s a priority that he said he would advise the Finance committee to continue to look at.

Mr. Caron noted that there are two issues that are not included in the financial statements that are very important:

- 1) **Deferred maintenance**, deferred but unrecognized maintenance – there is no provision in the financial statements nor is there required to be for these costs.
- 2) **GASB 45, the new GASB accounting requirement** - is not in the financial statements nor required to be in there now but will be starting in a few years. This will require all institutions to start accruing in the financial statements the estimated cost of providing post-retirement health care benefits to retired employees. Starting in 2008, the GASB 45 will require each of the schools to start funding, putting aside cash into a bank account on a pre-determined formulary basis over a stipulated period of time for all the retired employees.

Associate Commissioner McAllister noted that each of the institutions' documents indicate that the net assets are in a negative position and it is a concern but it is something that they are aware of and are addressing. For example, he said, one of the things higher education is required to do is report depreciation expense on the financial audits but it is not considered in the budgeting process. This is being reported in the annual Financial Integrity Report sent to the Governor and the General Assembly.

Governor Schuster raised several questions about student receivables and the write offs of bad debts on loans. Chair Ryan asked Associate Commissioner McAllister to meet with the appropriate individuals at each school and to prepare responses to the questions at the next Facilities/Finance meeting.

*A motion was made by Governor Schuster and seconded by Governor Aurecchia:*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors accept the Audited Financial Statements for the Community College of Rhode Island, Rhode Island College, and the University of Rhode Island for the fiscal year ended June 30, 2005.*

*All members voted in the affirmative.*

d. **Recommendation on the Updated Changes to the Board's Procurement Regulations, and the Expansion of Delegated Small Purchasing Authority at the University of Rhode Island**

Chair Ryan noted that this past December, the Director of Administration delegated all general small purchase authority to State User Agencies, increasing the delegated authority from \$2,500 per transaction to \$5,000 for general purchases and \$10,000 for construction expenditures.

Consistent with this new authority, the University is requesting approval to increase its Limited Value Purchase Orders within the institution from \$1,000 to \$5,000.

The Procurement Regulations included in your packet were recently updated by Carl Toft, the first major update since 2001. This update will make the Board's regulations consistent with the current State Purchasing Regulations.

The Department of Administration is undertaking an initiative to rewrite the State Purchasing Regulations. They have formed a workgroup of user agencies to assist them in this initiative and representatives from the Office and the institutions will participate in the workgroup. The Committees will periodically be updated on the progress of this initiative.

*A motion was made by Governor Rockett and seconded by Governor Solomon:*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors for Higher Education approve the updated changes to the Board's Procurement Regulations and approval of the University's request to increase its Limited Value Purchase Orders from \$1,000 to \$5,000.*

*All members voted in the affirmative.*

e **Recommendation on the Purchase of the Former Theta Delta Chi Fraternity Building**

Chair Ryan noted that this item is a request from the University to proceed with the execution of a Purchase and Sales agreement to purchase the Theta Delta Chi Fraternity Building for \$329,000. This project has been approved by the Board and involves the acquisition of the fraternity building, its demolition and the construction of an addition to the adjacent Tyler Hall. RIHEBC bonds totaling \$3,247,000 were issued in November 2005 for the project.

*A motion was made by Governor Aurecchia and seconded by Governor Solomon:*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the purchase of the former Theta Delta Chi Fraternity Building, and further*

*THAT contingent upon favorable review by the Board's Legal Counsel that the Purchase and Sales Agreement be presented to the State Properties Committee for its approval.*

*All members voted in the affirmative.*

The meeting adjourned at 10:00 a.m.

January 11, 2006  
*1a***BOARD OF GOVERNORS FOR HIGHER  
EDUCATION****MINUTES OF THE MEETING OF THE  
November 16, 2005 FACILITIES and  
FINANCE and MANAGEMENT  
COMMITTEES**

A meeting of the Board of Governors Facilities and Finance and Management Committees was held on Wednesday, November 16, 2005 at the Office of Higher Education. The meeting was called to order at 9:00 a.m. by Facilities Chair, Frank Caprio, who co-chaired the meeting with Finance Chair, Michael Ryan.

*Facilities/Finance Members Present:* Governors Kenneth Aurecchia; Frank Caprio; Tom Rockett; Dan Ryan; Chair, Michael Ryan; and Solomon Solomon

*Facilities/Finance Members Absent:* Governor Michael Schuster

1. **Approval of the Minutes**

a. The minutes of the September 7, 2005 meeting were approved as submitted.

2. **Chairman's Report**

3. **Commissioner's Report**

Commissioner Warner referred to Item 5h in the agenda. He said he is glad to have the opportunity to report on a good-news story; and that is the issuance of revenue bonds to finance two projects at URI and the refinancing of existing BOG debt that saved \$3.4 million. He thanked all those involved at URI, RIC, and the Office of Higher Education.

Chair Caprio noted that because of time constraints, he would start with New Business. He reviewed items 5d, 5e, 5f, and 5g. After reviewing those items, he asked Chair Ryan to review the Old Business and finance items under New Business.

4. **Old Business**

Chair Ryan noted that there were three reports provided as informational updates and no votes were required.

a. **Internal Audit Department Activity Report for the Quarter Ended 9/30/05**

Chair Ryan noted that this report is prepared quarterly by the Internal Audit unit. He said it provides the Board with an update on reviews completed by the auditors, those in progress, and other projects that involve the auditors.

b. **OHE Internal Audit Department Stewardship Report**

Chair Ryan reported that the Stewardship Report contains the status of all outstanding audit issues at the three institutions including the management letter comments as of 6/30/05.

c. **Update of URI and CCRI Administrative Systems**

Chair Ryan reported that as part of the monthly update on the implementation of administrative service systems at CCRI and URI, there were two reports.

He noted that CCRI reported using Banner for the first time to complete its year-end financial closing process. The next major module to be implemented is the Human Resources module. The Community College continues to report that the overall project is on schedule and within budget.

The University reports that work on the advancement module continues to progress. URI has also installed an upgrade to the 8.9 version of the financial module.

d. **Schedule of Meeting Dates for the Facilities/Finance Committees in 2006**

Chair Ryan said a list of meetings for the Facilities/Finance Committees for next year was included in the agenda. He asked the Committees to mark their calendars as the advanced scheduling has worked well in the past and has enabled the chairs to obtain a quorum for each meeting.

5. **New Business**

a. **CCRI Newport Campus Budget Update**

Chair Ryan reported that the budget update presented by President Sepe in the agenda packet is in response to several questions by Steve McAllister relating to the Newport project, the budget overrun, and the general financial condition of CCRI.

Chair Ryan noted that of the 14 questions posed to CCRI, it appears that responses to Question 9 – projected year-end balance; Question 10 – final enrollment numbers; Question 11 – updated revenues; and Question 12 – litigation costs are still outstanding. He said it appears that some of the outstanding responses relate to the Banner implementation process. He then asked President Sepe to update the Committees.

President Sepe reported that information in the form that was requested is not readily available in the system. He said that part of the problem, particularly in enrollment, is trying to break out the various subsets of the students to try to look at what the enrollment pattern looks like. He said that the information provided is the information that CCRI had, in terms of the number of headcount, at that time. He said that the information may represent some duplicative enrollments at other campuses. One of the problems CCRI has with the system is trying to identify/separate these students into a clean account. He said CCRI is working on that, not only for Newport, but for the whole institution as the new system is being integrated

Regarding the financial piece, he said that is part of the process of entering information into the system. He said they could provide more details but it is just not available to do an analysis yet as they are just finishing with '05 and putting '06 into place.

Lastly, the question about litigation costs, President Sepe said he had no way of projecting such costs. He said it was his understanding that the Office of Higher Education and Legal Counsel were looking into that process for the Newport Project. Steve Marginson noted that nothing has been formally or informally received in writing from the contractor. He noted that Louis Saccoccio has been involved in this matter for the last year and half.

Chair Ryan asked if the Newport Campus is still under the temporary occupancy.

Steve Marginson noted that CCRI was promised a certificate of occupancy on several occasions by several different people. He said there seems to be a turnover in those offices that have complicated the situation. He emphasized that the College is in no danger of being asked to leave the building. The College has in writing only three items left to resolve; those dealing with some fire codes. He said CCRI has no problem resolving the three items by December 6<sup>th</sup>, the date the temporary CO expires.

Chair Ryan asked if the projected year-end balance and the updated revenue issues that seem to be outstanding are related exclusively to the Banner issue and does that give the College some cause not to be able to gather those



figures now that it is five months into the fiscal year. Ruth responded that at this point, the College is comfortable that the revenues and expenses are going to balance with the exception of electricity. She said the College has been very careful monitoring the filling of positions and trying to keep them consistent with enrollment. She noted that at this time, all of the reports are not written in the same manner.

Chair Ryan asked Ruth when she thought CCRI could provide the information. Ruth responded within the next two weeks.

**b. Recommendation on Revised Financial Policies F-16 through F-20**

Chair Ryan reported that this item contains proposed revisions to the Board's Financial Policies F-16 through F-20. These will be presented to the Board as *Notice* at its December meeting and for approval at the January meeting. He noted that the policies have been reviewed by work groups consisting of representatives of each of the institutions and the Office of Higher Education.

*A motion was made by Governor Daniel Ryan and seconded by Governor Solomon Solomon:*

**THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the revisions to Financial Policies 16 – 20 as presented.**

*All members voted in the affirmative.*

**c. Recommendation on Report on Copyrighted Software Usage – Community College of Rhode Island**

**THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the *Report on Copyrighted Software Usage – Community College of Rhode Island*, prepared by the OHE Internal Audit staff.**

**d. Recommendation on Fire Marshall Inspection Reports on Residence Halls at URI**

Chair Caprio noted that all state-owned buildings are being inspected as a result of the new fire code requirements. He said the University put together a report on the status of the responses to the State Fire Marshall's inspections. As of this date, he continued, 13 of the 19 residence facilities have been inspected.

Chair Caprio also noted that fire safety improvements by the University have been a priority of the institution as well as the Board. The Internal Audit unit has issued several reports on fire safety improvements at the residence facilities. This is a continuous improvement process as the capital improvement plan and the state fire safety codes continue to evolve.

The Chair then asked a representative from the University to address the Committees. Vern Wyman reported that an important issue with respect to fire safety at the University is a continual focus on fire safety in the residence halls. He said the University has a regular inspection program of those facilities. He said that URI is very diligent in the maintenance of exit signs, emergency lighting, door locks and door hardware.

Vern noted that another ongoing project that has been helpful to URI is the residence hall renovation program that began in the year 2000. Facilities built between 1950 and 1970 have had extensive improvements, focusing on code compliance. He noted that as the University continues this process with the Fire Marshall, the University is working with Hughes Associates, engaged in 2004 to provide URI with detailed technical assistance.

Vern noted that URI is systematically going through each of the buildings, identifying the improvement requirements, and proceeding to secure the funding or commit funding to those ends. URI will respond shortly to the Fire Board responses to the set of recommendations from the Fire Board.

*A motion was made by Governor Aurecchia and seconded by Governor Rockett:*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors accept the University's report on the status of responses to the State Fire Marshall's inspection reports.*

*All members voted in the affirmative.*

e. **Recommendation on the University of Rhode Island Agricultural Land Leases**

Chair Caprio reported that this item is a request from the University for Board approval of agricultural land leases. The University has leased land in Kingston for agricultural use for several decades. Chair Caprio noted that the current leases expire in 2005. He said the University is recommending two companies as a result of the bidding process. One lease would cover 101 acres, which would generate an annual payment to the University of \$57,350. The second lease would cover 84 acres and generate an annual payment of \$43,400.

*A motion was made by Governor Solomon and seconded by Governor Dan Ryan:*

**THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the lease documents for the following:**

- **P2 and P3 (101 acres) – to Tee and Green Sod, Inc., totaling \$57,350 annually at an average of \$568/acre or \$1.30/sq. ft.**
- **K1, K2 & K3 (84 acres) – New England Turf, Inc. for \$43,400.00 annually at an average of \$520/acre or \$1.19/sq. ft.**

*All members voted in the affirmative.*

**f. Recommendation on license (lease) agreement with Nextel, Inc. and RIC for cell phone antennas**

Chair Caprio noted that this is a request from Rhode Island College to enter into a lease agreement with Nextel, Inc. to place cell phone antennas on the roof of Browne Residence Hall. Nextel will pay a monthly rent of \$2,400 to Rhode Island College with an annual escalator of 3%. The term of the lease is ten years with two five-year option renewals.

Chair Caprio asked Orestes Monterey from Rhode Island College to summarize the request. Dr. Monterey reported that this is basically referred to as a license because RIC is allowing Nextel to put their personal property on the College's land. It is a sled mounted series of crowned antennas, in three locations on the roof of the highest residence hall on campus. RIC's physical plant and a consultant reviewed the loading capacity of the roof and it can sustain the proposed equipment. It is a very straightforward lease, he said, using property that the College owns and generating revenue out of it.

*A motion was made by Governor Aurecchia and seconded by Governor Dan Ryan:*

**THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve Rhode Island College's request to enter into a lease agreement with Nextel, Inc. to place cell phone antennas on the roof of Browne Residence Hall, and further**

**THAT the lease be forwarded to the State Properties Committee for approval, pending a favorable review by the Board's Legal Counsel.**

*All members voted in the affirmative.*

g. **Recommendation on the Community College's Request to Enter into a License Agreement with the State of Rhode Island, Department of Administration, Division of Information Technology (DoIT)**

Chair Caprio noted that this item is a request from the Community College for the Board's permission to grant the Department of Administration, Division of Information Technology, the right and license to establish, construct and maintain an emergency radio network antenna site on the roof of the main building on the Knight Campus. He said it is a five-year lease with the option to extend for three additional five-year periods. This will be a part of the Rhode Island Tactical and Emergency Radio Network which will coordinate police, fire, emergency medical services and other key services throughout Rhode Island.

Chair Caprio called on Howard Boksenbaum from the Department of Administration. Mr. Boksenbaum summarized by stating the need for radio communications. He noted that every test or exercise that is done with the Emergency Management Agency points to the need for communications as the number one need. Since 2000, a group called the Communications Workgroup, a working group of the domestic preparedness, a subcommittee of the Emergency Management Council of Rhode Island, has been working to channel all eligible federal funding that comes into the state into building an interoperability framework. He said progress has been made. There are presently five sites.

West Warwick has a federal grant to extend the service to Warwick, West Warwick and part of the I-95 corridor. He said the Department's engineers were given the task of finding the best place to put the antennas and the recommendation from all sources was the Knight Campus of CCRI. He said he was there to ask for space on the roof and some space in a storage room.

*A motion was made by Governor Aurecchia and seconded by Governor Solomon and seconded by Governor Rockett:*

**THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the Community College's request to enter into a License Agreement with the State of Rhode Island, Department of Administration, Division of Information Technology to establish, construct and maintain a Rhode Island Tactical and Emergency Radio Network antenna site on the roof of the main building of the CCRI Knight Campus, and further**

**THAT the License Agreement be forwarded to the State Properties Committee for approval, pending a favorable review by the Board's Legal Counsel.**

*All members voted in the affirmative.*

**h. Report on the Issuance of Revenue Bonds to Finance the Dining Ctr. & Tyler Hall Projects at URI and Advanced Refunding of Eligible Existing BOG Debt**

Steve McAllister reported that OHE has been working with URI and RIC for a number of months putting together a bond prospectus with five different series of bond issues through the Rhode Island Health and Educational Building Corporation. By combining the five different series, the issuance costs are spread over the various bonds. This project includes the funding of two major projects at the University – the Hope Dining Facility and the acquisition of a fraternity that will be demolished and an addition will be added to Tyler Hall.

By taking advantage of lower interest rates, there are also three refunding issues. One is the auxiliary enterprise bonds at URI, saving approximately \$1.1 million. The second issue at RIC saves about \$130,000. The third has to do with education and general revenue bonds at the University that will save about \$2.2 million.

The meeting adjourned at 9:40 a.m.

November 16, 2005  
1a**BOARD OF GOVERNORS FOR HIGHER  
EDUCATION****Minutes of the September 7, 2005 Meeting  
of the FACILITIES and FINANCE and  
MANAGEMENT COMMITTEES**

A meeting of the Board of Governors Facilities and Finance and Management Committees was held on **Wednesday, September 7, 2005**. The meeting began at 9:05 a.m. and was called to order by Facilities Chairman, Frank Caprio, who co-chaired the meeting with Michael Ryan, Chair of the Finance Committee.

*Facilities/Finance Members Present:* Governors Kenneth Aurecchia, Frank Caprio, Michael Ryan, Dan Ryan, Thomas Rockett and Sol Solomon

*Facilities/Finance Members Absent:* Governor Michael Schuster

1. **Approval of the Minutes**

The minutes of the July 27, 2005 meeting were approved as submitted.

2. **Chairman's Report**

3. **Commissioner's Report**

Regarding the agenda, Commissioner Warner said he wanted to briefly address the following: First, he reported that the Community College Newport Campus opened on time on September 6<sup>th</sup>. The Commissioner congratulated President Sepe and the CCRI staff.

Secondly, the Commissioner welcomed Sue Sheppard, Lincoln Town Administrator, who was present to address the Committees about the Town of Lincoln leasing a parcel of land from the Community College of Rhode Island.

The Commissioner noted that the major item in the agenda is the 2007 budget. He highlighted the following:

- The budget being requested for approval is the current service-level budget that calls for some increases in state support and holds tuition to some relatively low levels.

- The proposed increases are approximately 6% at URI, 4.4% at RIC, and 3.0% at CCRI. He noted that a 6.4% increase in state support is needed in order to keep tuition at a relatively modest level.
- The budget also called for a modest growth in enrollment, averaging about 3.5%. He said the University is skeptical about its ability to meet that target which, he said, he asked for in his budget guidelines. He said the University and he agreed to put the revenue associated with the enrollment growth over 1.5% in a debt service fund. If the enrollment targets are not met, it would not have an adverse impact on the University's budget. And if the targets are met, it would allow the University to fund some capital projects or reduce debt service.
- The Commissioner also noted that the impact statements included in the agenda are those that would need to be enacted if the Governor's requested budget of a 10% reduction in state support is to be realized. If that were to happen, there would be two scenarios: 1) tuition increases in the double digits at each of the three institutions or 2) if we did not increase tuitions, there would have to be sizable layoffs and reductions in enrollment as a result of those layoffs.

#### 4. Old Business

It was noted that the following two reports are presented as informational updates. No vote is required.

- a. *OHE Internal Audit Department Activity Report for the Quarter Ended 6/30/05*
- b. *Updates of Administrative Systems from CCRI and URI*

#### 5. New Business:

- a. **Presentation on Rhode Island College Residence Hall Project**

President Nazarian introduced the Vice President for Student Affairs, Dr. Gary Penfield and the new Director of Housing, Theresa Brown. He then introduced Dr. Monterey, the Director of Capital Projects.

Dr. Monterey noted that the Residence Hall project is in the construction development stage, and ahead of schedule. Robinson, Green, and Beretta, a qualified firm, is very effective in helping RIC through the process. He said they had their first cost estimate and are well within budget.

Dr. Monterey reported that RIC has initiated a process, probably used for the first time by the Board, which is using a commissioning firm to ensure that the design, construction and implementation of all the facility systems meet all the requirements needed for certification. He said they are also pursuing a prequalification of all the contractors before the bidding process which is also a first in the state.

He then introduced David DeQuattro, Executive Vice President of Robinson, Green, and Berretta and Steve Hughes, Design Architect.

They informed the Committees:

- The design calls for a total of 90 four-person residential units.
- The feasibility study showed that there was a desire for single bedroom units; also apartment-style units.
- What is designed is a 55% ratio of single bedroom units split between suites and apartments.
- Apartments would have a full kitchen, full size refrigerator, and eating island. Suites would have a minimal food preparation area, under-counter refrigerator. There would be microwaves in all units.
- There will be six RA units which are private units and one residence Hall unit along with support facilities – quiet studies on each floor. All the common places are located on the main floor.

b. **Recommendation to Approve Lease of Land at CCRI Lincoln Campus to Town of Lincoln**

Chair Caprio reported that this item involves the Town of Lincoln entering into a lease with the Board of Governors for approximately eight (8) acres of undeveloped land at the CCRI's Flanagan Campus. He then introduced Sue Sheppard, Town Administrator.

Ms. Sheppard explained that she and the Town Planner, Al Rinaldi were present to request a recommendation from the Committees to the entire Board for an extended lease on a portion of CCRI property at the Flanagan Campus for a little league field for town use. She said the Town has an increased need for additional active recreational facilities.

Mr. Rinaldi reported that the proposed area is off Angell Road. The field would be designed to be farthest away from residential property, which will be buffered by evergreen trees and if neighbors desire, fencing. It would be serviced by an access road and a parking area for approximately 60 cars. There would be a restroom facility which would be serviced by public water and sewers.



Chair Caprio noted that the proposed site will not impact on CCRI's master plan for the Flanagan Campus. He noted that all development and maintenance costs for the baseball field will be borne by the Town of Lincoln. He said he hoped the lease would be available this morning but it is his understanding there is still some work to be done on it; therefore, he would offer an amended motion that the Committees approve the lease in principle and once the lease is available, he would ask the full Board to approve it at its September 19<sup>th</sup> Board meeting. Prior to that time, the lease would be reviewed by Legal Counsel and then forwarded to the State Properties.

*A motion was made by Governor Rockett and seconded by Governor Solomon:*

*THAT the Facilities and Finance and Management Committees recommend approval in principle of the lease between the Board of Governors and the Town of Lincoln to construct and maintain a little league field and pavilion at the CCRI Flanagan Campus subject to review and approval by the Board's Legal Counsel, and further*

*THAT once available, the lease be forwarded to the full board for approval at its September 19<sup>th</sup> meeting, and further*

*THAT the lease be forwarded to the State Properties Committee for approval.*

*All members voted in the affirmative.*

c. **Recommendation on Acceptance of Rhode Island College Alger Hall Project**

Chair Caprio noted that in compliance with the Board's Financial Policy #6 – the *Capital Development Regulations*, which requires that the Board of Governors approve the final acceptance of all construction projects, Rhode Island College is informing the Board of the completion of the Alger Hall project. A Certificate of Occupancy was issued on July 14, 2005.

The Chairman noted that the next Board meeting will be held at Alger Hall. This will give Board members a chance to see first-hand how this project turned out.

*A motion was made by Michael Ryan and seconded by Dan Ryan:*

*THAT the Facilities and Finance and Management Committees recommend that the Board of Governors approve the final acceptance of the Rhode Island College Alger Hall project.*

*All members voted in the affirmative.*

d. **Recommendation on Proposed Revisions to Financial policies F-11 to F-15**

Chair Ryan asked Associate Commissioner McAllister to brief the Committees on this item. Associate Commissioner McAllister reported that all of the Board's financial policies are being reviewed. He said there are three teams with representatives from the schools and the Office of Higher Education. Each team has ten policies to review. The policies F-11 to F-15 deal mostly with tuition.

Governor Rockett noted that Policy F-15 has a list of towns but there is no explanation of why they are listed. Steve said he would add the following explanation.

“Rhode Island College students whose permanent place of residence is a Massachusetts community within a twenty-mile radius of Providence are eligible for the in-state tuition rates plus 50%”.

President Carothers suggested that the group meet to discuss tuition for on-line courses.

*A motion was made by Dan Ryan and seconded by Sol Solomon:*

*THAT the Facilities/Finance Committees recommend that the Board of Governors for Higher Education approve the proposed revisions to Financial Policies F-11 to F-15 with the amendment to add language to Policy F-15 as recommended by Governor Rockett.*

*All members voted in the affirmative.*

e. **Recommendation on Acceptance of the Internal Audit Report – Review of Bi-weekly and Monthly Lecturer's Payrolls at the Community College of Rhode Island**

Chair Ryan noted that the Community College processes its payroll for faculty, administrative staff, and students through three separate systems. CCRI plans to transfer two internal payroll systems to an integrated Banner/SCT payroll module in 2006. Six recommendations have been

made in the audit report and the College concurs with all of the recommendations and is undertaking appropriate corrective actions.

*A motion was made by Governor Rockett and seconded by Governor Aurecchia:*

*THAT the Facilities/Finance Committees recommend that the Board of Governors for Higher Education accept the Internal Audit Report – Review of Bi-weekly and Monthly Lecturer’s Payrolls at the Community College of Rhode Island.*

*All members voted in the affirmative.*

*f. **Recommendation to Approve Resolution to Authorize Issuance of Revenue Bonds to Finance Dining Center and Tyler Hall Projects at URI and Refund Existing BOG Debt***

Chair Ryan reported that staff has been working with higher education’s bond financing team to finance two construction projects at the University and to refinance some existing debt.

The first project calls for the design and construction of a two-story brick facility to house a dining hall, café and convenience store. Total cost of the project would be \$21.3 million of which \$14.2 million would be financed.

The second project is the acquisition and demolition of the former Theta Delta Chi House located on Alumni Avenue on the Kingston Campus of the University and the construction of an addition to Tyler Hall. The total cost of this project is \$3.3 million, all of which would be financed. He noted that “Kushner” approvals were granted for both projects.

Chair Ryan reported that the Board is also proposing to refund \$65 million in bonds with present value savings of over 4.0% or approximately \$3.0 million in savings based upon the most recent analysis done by Merrill Lynch.

*A motion was made by Governor Daniel Ryan and seconded by Governor Solomon:*

*THAT the Facilities/Finance Committees recommend that the Board of Governors for Higher Education approve the resolutions to authorize issuance of revenue bonds to finance the Dining Center and Tyler Hall projects at URI and Advanced refunding of eligible existing BOG debt.*

g. **Recommendations on Unrestricted and Restricted Budget Requests,  
Tuition, Fees, and Tables of Organization for FY 2006-FY2007**

Chair Ryan noted that the FY 2006 Appropriation Act has delineated the state appropriation funding by institution for Higher Education. However, the Board still maintains the authority and responsibility to produce a system budget request, make funding recommendations, and establish tuition and fee rates for FY'06 and beyond. .

As part of the Commissioner's budget guidelines instructions for FY 2007, the Presidents were asked to describe what the impact in general revenue, on enrollment, level of service, and tuition and fees would have if a 10% reduction is required by the State. He said those schedules are included in the agenda.

**Current Service Level Request**

Chair Ryan reported that the unrestricted budget request for fiscal 2007 totals \$453.3 million, an increase of \$29.6 million or 7.0% over the current-year budget. State appropriations of \$194.1 million would comprise 42.8% of the total. Institutional revenues with increases in student-paid tuition and fees would fund the remaining \$259.2 million.

The restricted budget, including the RI Capital Fund, auxiliaries, research and federal and other financial aid totals \$267.5 million, an increase of \$13.1 million or 5.1%.

The proposed tuition and fee increases for instate students for fiscal 2007 at the undergraduate level would add \$440 or 6.0% to the cost of attending the University, \$208 or 4.4% for Rhode Island College and \$74 or 3.0% to the cost of attending the Community College. For out-of-state students, the increases would be \$1,414 or 7.1% at the University; \$576 or 4.8% at the College.

***Enrollment***

Chair Ryan noted that it is recommended that enrollment as a system grows to 29,762 full-time equivalent (FTE) students in FY 2007. This represents an increase of 1,005 students or 3.5% over the current year. The University would increase by 431 students, a 3.5% increase; Rhode Island College enrollment would increase by 250 students or 3.5%; while the Community College would increase by 324 or a 3.3% increase.

***A motion was made by Governor Solomon and seconded by Governor Aurecchia:***

*THAT the Board of Governors approve the system of public higher education budget request for the 2007-2008 fiscal year as recommended for current services, and further*

*THAT the Board of Governors approve the tuition, mandatory fees, and auxiliary enterprise fees for the 2007-2008 fiscal year as presented for current services, and further*

*THAT the Board of Governors approve system of public higher education Tables of Organization for the 2007-2008 fiscal year as presented.*

**h. Semi-annual Update of Capital Projects**

Chairman Caprio noted that this item is a status report on all active construction projects at the three schools. He said the report summarizes each project by listing the budget for the project, the contractor(s) involved, the projected start and completion dates as well as an estimate of the percentage of completion of the particular construction project.

The Community College has one project to report, the Newport Campus of CCRI, which he said he understood opened for classes yesterday.

It was noted that the University has twenty projects listed.

Rhode Island College projects were discussed earlier.

The meeting adjourned at 10:30 a.m.