



**Board of Trustees
Special Meeting of the Finance Committee**

**Tuesday, September 1, 2015
10:30 – 11:30 am (or until business concludes)
DeBoer Room, Hannon Library**

MINUTES

Call to Order and Preliminary Business

Finance Committee Chair, Paul Nicholson, called the meeting to order at 10:32 am. Chair Nicholson explained the key issue on the agenda was the McNeal Pavilion project and escalating construction costs.

The following committee members were present and a quorum was established: Paul Nicholson, Les AuCoin, Lyn Hennion, Jeremy Nootenboom, Dennis Slattery, and Steve Vincent.

The following committee member was absent: April Sevcik.

The following trustee was also present: Roy Saigo (ex-officio).

Other meeting guests included: Jason Catz, General Counsel; Drew Gilliland, Director of Facilities Management and Planning; Craig Morris, Vice President for Finance and Administration; Kathy Park, Executive Assistant; Sabrina Prud'homme, University Board Secretary; Larry Shrewsbury, Senior Instructor; Treasa Sprague, Administrative Services Coordinator; Sue Walsh, Provost and Vice President for Academic and Student Affairs. Mira Theisen and Chris Kastelic from Sink Combs Architects attended the meeting by phone.

Public Comment

No public comment was made.

McNeal Pavilion Project – Budget Scope Increase (Action)

Craig Morris explained that since the last presentation to this group, the McNeal project has undergone additional cutbacks in scope. He noted the 1,000 sq. ft. decrease in overall net square footage, the re-addition of the fourth classroom, and the change in the competitive gym seating from a top-down design to one of floor seating. With these modifications and others, the cost estimates are still \$2 million over budget. Also, adequate locker rooms are not in the design. The plan is to ask for a scope increase of \$2 million; an expansion increase of up to \$1 million to build locker rooms under the stadium; and get authorization to secure financing.

Mira Theisen reviewed the full design plan and presented changes to the plan from what the board previously saw in July. The architects were challenged by accommodating as much programming as possible within the original budget. Ms. Theisen first reviewed the Site Plan and said it already had been scaled back significantly in the July version so the focus was on addressing firetruck access around the site. One notable change was the inclusion of a green space and light-well in the hallway where the classrooms will be located.

The main-level floor plan was presented next. The biggest change was floor-loading the gym, versus top-loading it, which allowed the architects to move some services under the gymnasium on the lower level.

Regarding the Student Recreation Center (SRC), the gymnasium used to be accessed at the main level. With the consolidation of McNeal to the west side of the building, the recreational gym went to the lower level and the track is at the main level. The change and reduction in McNeal didn't impact the SRC greatly.

Throughout the presentation, the trustees discussed a variety of items with the architects including seating and capacity of the gym; floor access; rationale for an indoor track; locker rooms; sustainability initiatives and incremental cost toward LEED certification; cost savings, materials and aesthetics of the project; acoustics and sound barriers; structural integrity and anticipated life span of the building; budget; programmatic adjustments; and other important considerations to meet the necessary efficiencies and programmatic needs of the project.

Trustee Hennion raised general questions about the proposed locker rooms under the stadium for football and track programs, as no rendering of that portion of the project was presented. Mr. Morris noted that he did not have authorization to embark upon that work and accordingly, did not have renderings available at the time of the meeting. Chair Nicholson questioned if the \$1 million for this portion of the project was a rough number, and Mr. Morris answered that, hopefully, the cost would be much lower but the request would be for the full \$1 million so the board wouldn't need to reconvene if the full amount were necessary.

While marked as an action item, action was held until the financing issue was reviewed.

McNeal Pavilion Project – Financing (Action)

Mr. Morris noted that the full \$3 million for both projects would be requested in financing but if it could be paid for in ways other than borrowing, those dollars would be used first. Perhaps state funding or donation moneys would be available to pay for or offset the financing. He didn't feel comfortable signing a construction contract without knowing where the money would come from, hence the need to secure financing, in case it is needed.

He introduced financing scenarios to give the committee an idea of what the annual payments could be. One of the goals would be to work with SOU's vice president of development and executive director of the SOU Foundation, Janet Fratella, to do limited fundraising around the locker room portion of the project, and separately, open up conversations with the legislature in hopes of getting some funding. Matt Sayre noted that he and Ms. Fratella were very early in discussions about fundraising and have composed a list of potential donors. It was noted that Ms. Fratella, who was not present in the meeting, had not had formal conversations with the foundation yet, so nothing could be taken for granted, but she advised that realistic fundraising goals within the capacity and interests of the community would be necessary.

Trustee AuCoin asked for clarification on the scenarios and intentions Mr. Morris outlined, ultimately asking if Mr. Morris would pursue all avenues, get a line of credit and draw down on it only if necessary. The answer was yes, and Mr. Morris added that there are a variety of things SOU could do. For example: SOU can go to the state on its energy loan program since SOU is building to LEED gold standards and has the ability to borrow as much as a couple of

million dollars, with the energy savings going to pay debt service. SOU could go to the legislature to borrow 11-F bonds or go to local banks and borrow. Mr. Morris would seek the best options over the next few months and return to this committee to determine how best to put together the financing.

Trustee AuCoin asked what would happen if enrollment falls below expectations and if Mr. Morris had a reserve against that happening. He also asked if these plans burn through that cushion. Mr. Morris answered no, explaining that the SRC is funded by bonds the students are borrowing and the state gave SOU money to remodel McNeal. SOU found the building had to be completely rebuilt. So, \$21.3 million might have been enough to remodel but not to completely rebuild. McNeal, which encompasses the athletic and academic spaces, is over budget and the SRC portion is on budget. The only way to cure that is elimination or substantial reduction of the competitive gym and elimination of the 4th classroom.

Chair Nicholson asked, if the committee and board approve the project, what would be the anticipated start and end dates? Drew Gilliland answered that a demolition contract is scheduled to begin on November 17, and construction could hopefully begin the end of March, possibly April with an 18 to 24-month project duration for a fall 2017 opening.

President Roy Saigo summed up the concerns of the discussion and thanked the board for asking important questions. Citing the need for progress, President Saigo recommended going ahead with the project noting that he and others were aware of the downside as well as consequences if a decision isn't made.

Chair Nicholson proposed that the finance committee recommend to the full board that SOU increase the scope of the McNeal Pavilion project by \$3 million to be increased and allocated as follows: \$2 million to increase the building budget from \$21.3 to \$23.3 million; and approval of the stadium improvement portion of the project with a budget up to \$1 million for locker rooms under the stadium. With this increase in scope, the committee would increase contract authority for all contracts to implement the project in an amount not to exceed the additional \$3 million, with that authority being delegated to the vice president of finance and administration.

The motion was moved by Trustee AuCoin, seconded by Trustee Hennion and passed unanimously.

Accordingly, with the passage of the first motion, Chair Nicholson also moved that the finance committee recommend to the full board, that the vice president of finance and administration, in consultation with the university president and the finance committee, be authorized to arrange and execute contracts for financing in the form of a pre-approved loan in the amount of \$3 million to cover increased scope costs.

The motion was moved by Trustee Vincent and seconded by Trustee Slattery. Trustee Hennion abstained from the vote citing a potential conflict of interest. The motion passed.

Adjourn

Following the motions, Chair Nicholson adjourned the meeting at 11:35 am.

Date: October 15, 2015

Respectfully submitted by,

A handwritten signature in cursive script, reading "Sabrina Prud'homme". The signature is written in black ink and is positioned above a horizontal line.

Sabrina Prud'homme
University Board Secretary