

WASHBURN UNIVERSITY BOARD OF REGENTS
Budget and Finance Committee Meeting
March 12, 2015

Regents Present: John McGivern (committee chair), Bill Sneed (committee member), Pam Trusdale (committee member), Robba Moran, Paul Hoferer, Blanche Parks

The meeting was called to order at 2:35 p.m. by John McGivern, chair.

- 1) Minutes of the February 5, 2015 meeting:
 - It was moved to correct the minutes to reflect the attendance of Blanche Parks at the meeting. Minutes were approved with this correction.

- 2) Discussion and Approval of Capital Projects and Equipment from the Debt Retirement and Construction Fund:
 - Vice President Anderson discussed Washburn's relatively formal equipment and budgeting process. The list of maintenance projects recommended for approval total about \$1.8 million.
 - Regent Hoferer asked about the demolition of the Kappa Sigma house. VP Anderson explained that the University owns and uses the building for surplus storage. When asked if we could realize any savings by razing the building now and using the property as a staging area for construction VP Anderson said asbestos removal is the reason for the high cost of the demolition.

Regent Jennifer Sourke arrived at 2:41 p.m.

- The same process is used for equipment with each department chair making requests to the dean or department head and then on to the Vice Presidents. Requests are assigned by priority and some items are deferred to future years.
 - Regent Hoferer asked about security cameras. There are currently 95 cameras on campus. Although not sure of the exact time loop before recycling of tapes Vice President Anderson is satisfied that they adequately cover the University. The request includes plans for upgrades and more cameras for the new residence hall. There will be a total of 120 cameras when the new residence hall is finished.
 - Regent Trusdale moved to recommend approval of the capital projects, technology equipment, and other equipment requests. It was seconded by Regent Sneed and the motion carried.
- 3) Discussion and Approval of New Housing and Dining Contractor:
 - Vice President Anderson said he expected to bring this to the Board at the February meeting, however, the bids came in at \$3 million over the estimate which was too far over to fund the project. Thanks to the work of our architect, HTK, along with Dean Ferrell and Rich Connell we were able to get together and identify legitimate cost saving measures without sacrificing the original plan. The square footage of the residence and

dining hall will remain the same, so the project plan is the same other than having a smaller tower and different roofing. We talked to our food service contractor about improving catering and a final and best offer went from \$2.2 million to \$3 million in capital investment. The furniture and fixtures were also scrutinized. The total project cost is just shy of \$31 million.

- Regent Trusdale asked about using PVC pipe versus cast iron. Rick explained that PVC is easier to maintain. Cast iron lasts forever but PVC is used in a lot of both commercial and residential construction with good long term use.
- Regent McGivern asked how the food vendor can make back their \$3 million investment and whether the food prices will be too expensive for students. VP Anderson explained that the Chartwells investment is over a ten year period. There are three years left on the current contract, so this bid is a re-up for 7 years, so they recover it over a 10 year period. It is attractive to them due to having more students under a meal plan. Where we currently have under 700 students on meal plans we will now have over 1,000, so it makes sense for them to reinvest in the enterprise.
- Regent Hoferer asked for the rationale on using compact fluorescent lights (CFL) rather than LED lighting. There is a savings of about \$194,000 using CFL versus LED lighting. LEDs are coming down in price, but not as inexpensive as CFL in terms of savings versus upfront cost. LEDs will be used in areas where frequent change would be problematic.
- Regent Sneed moved to recommend full Board approval of the award of a contract to McPherson Contractors in the amount of \$25,778,000 for construction of the new student housing and dining project. It was seconded by Regent Trusdale and the motion carried.

4) Discussion of Financing Options for New Housing and Dining Project:

- VP Anderson said a specific financing plan will be presented in April but today's discussion is about the University's overall financial health and structure of financing options for the student housing project. The University financial ratios are extremely strong, being in the upper quartile, (80-90%) of all campuses around the country. He indicated the University is in a very strong position to make strategic investments. We worked with our financial advisor. The schedule shows what portion is traditional financing, 20 million for 25 years, and the rest is direct placement debt, basically a bank loan, over a 7-year period, 2.7% interest, effective rate for 30 year debt is 3.5%. The administration is recommending direct placement to give debt flexibility as a system as we pay off the 2010 debt bonds. In fiscal years 2020 and 2023, we gain more flexibility in financing since the 2010 bonds will be paid off. Tested traditional of all vs 5-year lock vs 7-year lock, saves only around \$15,000 per year. Doing it all traditional would be 3.5 mil more over the life of the bonds. It will be beneficial to doing some as traditional bonds and some as a 7-year bank loan by splitting it and Washburn is flexible enough to take on the risk.
- Regent Hoferer asked if building a new law school building would have any effect on the financing. The law school is the only debt on the horizon and would only be for \$10

million, which is not a significant amount of debt. Some debt will be rolling off in 5 years and in 8 years, so we will gain some savings there.

- Regent Parks asked if the parking lots would have an impact. Since reserves will be used to build the parking lots it will have no effect.
- Regent Hoferer said that a year and half ago when approving bonds, 5-year lock was 2.0, 7-year lock was 2.35, those direct placement loans have gone up 35 basis points in the last 4 months. The long term rate hasn't changed much for 25-year period.

5) Discussion and Approval of Two Parking Lots:

- At the February meeting we discussed the next four or five years related to campus parking and three options were proposed. Today the administration is recommending two of those options, with the third option being carried forward to next spring as we look at parking for new housing.
- Regent Trusdale moved and Regent Sneed seconded recommending the Board approve transfers from University reserves to fund the KTWU and New Law parking lots. Motion carried.

6) Discussion and Approval to Terminate Lease at Forbes for AST:

- VP Anderson said the Forbes lease needed to be extended because of the grant extension. The landlord would only consider a five-year lease option so we agreed on a stipulation with a one-time option to terminate the lease. If the option is exercised it will be necessary to move the AST program to the Washburn Tech campus and renovate Building D. The building is already in need of renovation due to HVAC and electrical needs. He said instead of spending money on the Forbes rental facility we would rather reinvest in the Tech campus. Notice must be given by April 1 to terminate the lease on October 1, giving enough time to do the renovation and get moved.
- Regent Trusdale moved to recommend approval by the full Board to terminate the lease at Forbes and move the AST program to the Tech campus. It was seconded by Regent Sneed and the motion carried.

The meeting was adjourned at 3:06 p.m.