

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES**

**Agenda Item Summary Sheet**

**Committee:** Finance and Facilities Committee

**Date of Meeting:** March 20, 2013

**Agenda Item: Lake Superior College - Approval of Contract Exceeding \$3 Million Dollars for Aviation Program**

Proposed Policy Change       Approvals Required by Policy       Other Approvals       Monitoring  
 Information

**Cite policy requirement, or explain why item is on the Board agenda:** Board Policy 5.14, Procurement and Contracts, Part 3, requires Board of Trustees approval of all contracts valued greater than \$3 million. Board Policy 5.14, Part 1 requires approval by the chancellor or the chancellor's designee for contracts that exceed five years.

**Scheduled Presenter(s):** Laura M. King, Vice Chancellor – Chief Financial Officer  
Patrick M. Johns, President, Lake Superior College  
Alan R. Finlayson, CFO/Vice President of Administration,  
Lake Superior College

**Outline of Key Points/Policy Issues:** Lake Superior College is requesting approval of a professional/technical services contract estimated to total \$3,000,000 during the initial five year contract period, which will be from July 1, 2013 through June 30, 2018. The college also requests approval of potential additional obligations of approximately \$2,000,000. The total amount of the contract that is actually expended will depend on the number of students who enroll in the program.

Lake Superior Helicopters, LLC was the successful bidder for a multi-year contract to provide flight services for Lake Superior College. Lake Superior Helicopters is willing to maintain the same pricing for their services whether the contract is for three, four or five years. The college prefers the financial stability and cost savings with the five year contract. The expected savings during the initial five years is \$280,000.

**Background Information:**

The contract with Lake Superior Helicopters, LLC is to provide flight services (equipment and certified flight instructors) for helicopter training and ground instruction for students of Lake Superior College. The college has a contract and subsequent amendments with Lake Superior Helicopters that have been in effect since August 16, 2010 and will end on June 30, 2013. A request for proposal was published in the State Register on October 29 and November 5, 2012 with one respondent (Lake Superior Helicopters, LLC).

**BOARD OF TRUSTEES  
MINNESOTA STATE COLLEGES AND UNIVERSITIES**

**BOARD ACTION**

**Lake Superior College:  
Approval of Contract Exceeding \$3 Million Dollars for Aviation Program**

**BACKGROUND**

Board Policy 5.14, Procurement and Contracts, requires prior approval by the Board of Trustees for contracts exceeding \$3,000,000. Chancellor approval is required for contracts exceeding five years. The proposed action item is for board approval of a professional/technical services contract estimated to total \$3,000,000 for an initial five year term and an additional amount not to exceed \$2,000,000 for three (3) x 1 year renewal options. The total value of the agreement with all extensions exercised is approximately \$5,000,000.

Since 2010, Lake Superior College has engaged in a contractual relationship with Lake Superior Helicopters to provide helicopter equipment and certified flight instruction to train students in the Lake Superior College private pilot program. Students interested in helicopter training may choose either the 34-credit diploma program or the 60-credit AAS degree. The number of students enrolled in helicopter courses, while small in number, has more than doubled since 2010. There currently are 12 students enrolled in the helicopter program, which includes three students who transferred from Hibbing Community College due to closure of that program.

The annual expenditures for the helicopter contract have increased from \$116,694 in FY2010 to \$474,105 in FY2012. All of the expenditures for the helicopter contract are paid directly by students through course fees.

Helicopter contract costs are billed on an hourly basis as used. The hourly rates have increased an average of 3% annually during the past three years. Lake Superior Helicopters is willing to hold pricing with no increases throughout the first five years of the contract. This will save an estimated \$280,000 over the initial five year agreement. If an extension is approved, the rate will increase by 3% per annual extension term.

The contract includes a fuel surcharge adjustment if the rate increases by more than \$.50 per gallon above the current base rate. There have been no fuel adjustments during the first three

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Exceeding \$3 Million Dollars*

year contract. Potential fuel charge adjustments are included in the estimated annual costs of the contract.

The current three year contract will end on June 30, 2013. A request for proposal was published in the State Register on October 29, 2012 and November 5, 2012. There was one respondent to the request for proposal (Lake Superior Helicopters, LLC).

The contract with Lake Superior Helicopters will include the standard cancellation and termination section which allows the college to cancel the contract at any time, with or without cause, upon thirty (30) days written notice.

The value of the contract is expected to reach the board policy threshold of \$3 million and requires approval by the Board of Trustees.

**RECOMMENDED COMMITTEE ACTION:**

The Finance and Facilities Committee recommends the Board of Trustees adopt the following motion:

The Board of Trustees approves execution of a contract with Lake Superior Helicopters, LLC, not to exceed \$3,000,000 with an option for a contract extension not to exceed an additional \$2,000,000. The Board delegates execution of the contract to the Chancellor, or his designee.

**RECOMMENDED BOARD ACTION:**

The Board of Trustees approves execution of a contract with Lake Superior Helicopters, LLC, not to exceed \$3,000,000 with an option for a contract extension not to exceed an additional \$2,000,000. The Board delegates execution of the contract to the Chancellor, or his designee.

*Date presented to the Board of Trustees: March 20, 2013*