

**MINNESOTA STATE COLLEGES AND UNIVERSITIES  
BOARD OF TRUSTEES  
Agenda Item Summary Sheet**

**Name:** Finance and Facilities Committee

**Date:** April 22, 2015

**Title:** Approval of Contracts Exceeding \$1 million - Inver Hills Community College, Minnesota State University, Mankato, and Riverland Community College

**Purpose (check one):**

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Proposed<br>New Policy or<br>Amendment to<br>Existing Policy | <input checked="" type="checkbox"/> Approvals<br>Required by<br>Policy | <input type="checkbox"/> Other<br>Approvals |
| <input type="checkbox"/> Monitoring /<br>Compliance                                   | <input type="checkbox"/> Information                                   |   |

**Brief Description:**

To obtain the Board of Trustees approval of contracts in excess of \$1 million, consistent with Policy 5.14, Contracts and Procurement. There are three separate items for board consideration of contracts exceeding \$1 million:

1. Inver Hills Community College Construction Contract
2. Minnesota State University, Mankato, Aviation Contract Extension with North Star Aviation for Student Flight Training,
3. Riverland Community College Guaranteed Energy Savings Contract

The items are included in one report, with one accompanying motion for the committee's consideration.

**Scheduled Presenter(s):**

Brian Yolitz, Associate Vice Chancellor for Facilities

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

**Approval of Contracts Exceeding \$1 million  
Inver Hills Community College, Minnesota State University, Mankato, and  
Riverland Community College**

**PURPOSE**

To obtain the Board of Trustees approval of contracts exceeding \$1 million, consistent with Policy 5.14, Contracts and Procurement.

**BACKGROUND**

Below are three separate items for board consideration of contracts exceeding \$1 million:

1. Inver Hills Community College Construction Contract
2. Minnesota State University, Mankato, Aviation Contract Extension with North Star Aviation for Student Flight Training,
3. Riverland Community College Guaranteed Energy Savings Contract

**CONTRACT DETAILS**

**1. Inver Hills Community College Construction Contract**

The Board of Trustees is asked to approve a contract exceeding \$1 million for renovation and renewal of the Inver Hills Community College Activities Building. The 26,799 sq. ft. building includes the gymnasium, weight room and related support and storage space, and this project will renew approximately 19,000 sq. ft. of the building.

**A. Funding.** The campus is interested in entering into a contract not to exceed \$1.35 million to renew the Activities Building for which the college has set aside campus operating dollars. The scope of work includes updates and internal space storage reconfigurations to the gym and adjacent space, including the activity rental counter, bleachers and gym floor replacement, rental and storage spaces, athletic testing and assessment, and the weight room. The college expects that renovation costs will reduce building backlog by approximately \$300,000, and the work will temporarily impact the campus Composite Financial Index (CFI) for FY16. The college has maintained a healthy CFI, and has the fiscal resources necessary for this project. This project was identified as one of the campus's priorities on their pending update to the Master Facility Plan. Tuition and fees will not be impacted by this project. The college anticipates that this space will enhance recruitment efforts and retention of students.

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**B. Intended purpose.** Schematic design is underway and involves a design committee made up of representatives from faculty and staff. The architectural costs associated with the design were paid from college operating funds. Construction bids will be solicited pending board approval with an anticipated renovation start date in summer 2015. The project renovation will be completed in fall with a planned occupancy date by fall term.

**C. Student consultation.** Inver Hills Community College advised the Student Senate regarding the planned renovation. Student Senate representatives have served on the Facility Committee to gather input and suggestions for updates, and provided feedback regarding design, technology, and furniture elements they would like to see incorporated.

**D. Due diligence.** The Activities Building is a key student and community space on campus, and is regularly scheduled for academic classes, such as yoga, cardio training, conditioning, and law enforcement skills training. The facility is also used regularly for intramural sports, such as basketball, floor hockey, volleyball and many one day events.

## **2. Minnesota State University, Mankato, Aviation Contract Extension with North Star Aviation for Student Flight Training**

The Board of Trustees is asked to approve a contract extension with an estimated value of up to \$7 million over the two year period. Minnesota State University, Mankato selected North Star Aviation, Inc to provide flight training to aviation students after a 2012-2013 RFP process. The university executed a contract, which began June 2013 for an initial term of three years (July 2013 – June 2016) with an option to renew for two additional years. At the time of the agreement, students paid North Star Aviation Inc directly for their flight training and the contract with the university did not exceed board policy levels requiring board approval.

In order to better serve students with veteran's benefits, Minnesota State University, Mankato has worked closely with the Veterans Administration and North Star Aviation to redesign the aviation curriculum, directly matching flight training curriculum with course sections and began to charge a corresponding course fee. Minnesota State University, Mankato now collects the course fees and remits payment to North Star Aviation Inc., for flight training services provided to the students.

The change in process has not increased the costs of flight training to the students. The change allows veteran students to more fully utilize veteran's benefits as all flight training related costs are now reflected on the University ledgers in a manner approved by the Veterans Administration. This change has increased the value of the university contract with North Star Aviation since the course fees now flow through the university's books. Consequently, Minnesota State University, Mankato, seeks approval to exercise the option for a two year renewal per the existing agreement at an estimated value of up to \$7 million over the two year period.

### **3. Riverland Community College Guaranteed Energy Savings Contract**

The Board of Trustees is asked to approve a contract in excess of \$1 million for a guaranteed energy savings contract at Riverland Community College. The contract will include work at all three of the Riverland campuses.

The Energy Savings Company (ESCO) that Riverland selected has recommended a range of scenarios between \$1.7 million to \$1.9 million worth of work. The simple payback for the two scenarios was 13.3 to 14.1 years respectively, not including eligible utility rebates. The energy rebates would reduce the expected payback by approximately 1 year each.

Riverland's annual utility costs for 2014 was \$668,000. Participation in the Guaranteed Energy Savings program is expected to save between \$125,000 - \$127,500 per year of energy and operating efficiencies, an annual savings of 18%-23%. The project is entirely self-funding. There is no impact on tuition, fees, and the improvements will ultimately result in reduced operating costs for the university.

**A. Financial statement impact.** The campus would book a liability for the amount financed for the project using a lease-purchase agreement. The liability is reduced each year based on the lease-purchase amortization schedule. The expenses will be capitalized. The depreciation period is matched to the length of the lease-purchase terms, which are disclosed as energy notes payables on the financial statements/notes.

**B. Major terms.** The college is considering the larger of the two packages with a 14.1 year payback and an estimated project cost of approximately \$1,865,426 (before taking into account utility rebates). The package would include such items as new building controls, interior and exterior lighting, sealing building envelopes, and installing water conservation measures to reduce water consumption. The college estimates conservatively that over 50% of the work on the project list will remove campus backlog that would otherwise be on its HEAPR list.

The college expects that work would be completed within 18 months after execution of the work order contract for the identified projects. No additional cash is required of the college or the system to participate in the program, although additional projects could be performed under this program if campus matching funds are available.

#### **RECOMMENDED COMMITTEE ACTION:**

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

The Board of Trustees authorizes the chancellor or his designee to execute a two year extension of a Professional/Technical Services agreement between Minnesota State University, Mankato and North Star Aviation Inc. to provide flight instruction to aviation students at a value not to exceed \$7 million. The board directs the chancellor or his designee to execute all necessary documents.

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The Board of Trustees authorizes the chancellor or his designee to execute a construction contract not to exceed \$1,350,000 for purposes of the renewing the Activities Building on the Inver Hills Community College campus.

The Board of Trustees authorizes the chancellor or his designee to enter into a Guaranteed Energy Savings contract up to a maximum of \$1.9 million for purposes of improving campus energy efficiency and reduction in deferred maintenance at Riverland Community College.

**RECOMMENDED BOARD OF TRUSTEES ACTION:**

The Board of Trustees authorizes the chancellor or his designee to execute a two year extension of a Professional/Technical Services agreement between Minnesota State University, Mankato and North Star Aviation Inc. to provide flight instruction to aviation students at a value not to exceed \$7 million. The board directs the chancellor or his designee to execute all necessary documents.

The Board of Trustees authorizes the chancellor or his designee to execute a construction contract not to exceed \$1,350,000 for purposes of the renewing the Activities Building on the Inver Hills Community College campus.

The Board of Trustees authorizes the chancellor or his designee to enter into a Guaranteed Energy Savings contract up to a maximum of \$1.9 million for purposes of improving campus energy efficiency and reduction in deferred maintenance at Riverland Community College.