

**MINUTES OF THE MEETING OF THE
UNIVERSITY OF MASSACHUSETTS BUILDING AUTHORITY
Wednesday, March 27, 2019; 11:00 a.m.
University of Massachusetts Club
One Beacon Street, 32nd Floor
Presidential Parlor
Boston, MA**

Members Present: Chairman, Victor Woolridge; Vice Chair, Gerry-Lynn Darcy, Members, Mary Burns, James McGaugh, Kelly O'Neill, Christopher Philbin, John Smolak, and Charles Wu.

Building Authority Personnel: Patricia Filippone, Executive Director; David P. Mullen, Deputy Director/General Counsel; Maggie Drouineaud, Compliance Analyst; Carl Erickson, Senior Project Manager; Josette Farnham, Controller; Jennifer Gonzalez, Chief Financial Officer; Joseph Naughton, Director of Capital Projects; Charlie Paradie, Director of Pre-Construction Project Planning; Sean Regan, Director of Operations; Patti Vantine, Capital Projects Coordinator; and Barbarann Finocchiaro, Office Manager.

University Personnel: Lisa Calise, Sr. Vice President for Administration and Finance, and Treasurer; Matt Gorzkowicz, Assistant Vice President for Planning and Accountability; Barbara Cevallos, Controller; Kathleen Kirleis, Vice-Chancellor for Administration and Finance UMass Boston; Christopher Dunn, Executive Director Public/Constituent Relations UMass Amherst; Andy Mangels, Vice Chancellor of Administration & Finance UMass Amherst;

Others: Ralph Wallace, Keville Enterprises and Lisa Clawson, Western Mass Carpenters' Union

Chairman Woolridge convened the meeting at 11:18 a.m.

Report of the Chairman:

Chairman Woolridge opened his remarks by noting that today's meeting had a full agenda. Chairman Woolridge noted that since the special board meeting on February 14th he has been informed by Executive Director Filippone that the 2019-1 Refunding Bond Transaction is moving along on schedule. Chairman Woolridge also noted that the University's ratings have been reaffirmed with a stable outlook.

Chairman Woolridge briefly spoke of the notice sent regarding the upgrade to the BoardVantage portal. Chairman Woolridge also noted that UMBA had sent a copy of the State Auditor Engagement letter as well as the Conflict of Interest policy and questionnaire that will be discussed later in the meeting.

Chairman Woolridge stated that work continues on the Bayside and that the Agreement to Lease is expected to be signed in late April.

Chairman Woolridge introduced UMBA's new Controller, Josette Farnham, who joined the finance team back in January. Chairman Woolridge also announced that the new position of Accounting Manager has been filled by Katrina McKee. Katrina will be starting on April 1st.

Chairman Woolridge stated that Executive Director Filippone would provide an update on some important dates regarding capital projects.

Chairman Woolridge also stated that today's agenda included a review of the Authority's by-laws to get the board to start thinking about changes.

Chairman Woolridge turned the meeting over to Executive Director Filippone for her remarks.

Report of the Executive Director:

Executive Director Filippone opened her remarks by informing about UMBA's reaffirmation of its credit ratings in collaboration with Lisa Calise and her team. Executive Director Filippone stated that she would be pricing bonds to lock in the savings and close the 2019-1 refunding bonds on May 1st. Executive Director Filippone also thanked Jennifer Gonzalez who was instrumental in achieving this fast paced timeline.

Executive Director Filippone mentioned that Jennifer Gonzalez would be leaving the Building Authority in mid April. Executive Director Filippone spoke of the UMBA's new Controller, Josette Farnham. Ms. Farnham served as General Accounting Manager at Framingham State University. Executive Director Filippone announced that Katrina McKee will be joining UMBA on April 1st as the new Accounting Manager. Ms. McKee comes to UMBA from the Metropolitan Area Planning Council. Previously she was employed at Grant Thornton and was involved with UMass Dartmouth and UMass Boston's campuses audits of the system's financial statements.

Executive Director Filippone shared two exciting announcements regarding capital projects. Executive Director Filippone mentioned that two of UMBA's projects have received LEED certifications. SMAST project in New Bedford received LEED Silver and the Boston Dining and Residence Hall project achieved LEED Gold. Executive Director Filippone expressed her appreciation to all those that made these accomplishments possible.

Executive Director Filippone mentioned the ongoing audit being conducted by the State Auditors. The Auditor's Office began their audit in October 2018. It appears that they may complete their field work in the next several weeks. The State Auditors' office has interviewed a number of UMBA staff members, and are reviewing multiple documents.

Executive Director Filippone stated that the UMBA board members would be receiving invitations to the following campus events:

- UMass Amherst Physical Sciences Building ribbon cutting – April 4th
- UMass Amherst Isenberg School of Management ribbon cutting – April 12th
- UMass Amherst Worcester Commons construction ceremony – April 19th
- UMass Lowell Perry Hall ribbon cutting – April 25th

Executive Director Filippone stated that at the Administration and Finance Meeting earlier in the morning the following two projects went for a Vote 2:

- The Central Core Project, which is a consolidation of three capital projects, went for a Vote 2 for \$32 million. This project scope now includes waterproofing of underground portions of the Campus Center and Garage along with landscape and hardscape improvements and improved accessibility and deferred maintenance on underground and building utility systems, This \$32 million adds \$9 million if UMBA funding and will need approval from the Executive Office of Administration and Finance.
- Amherst's Office/Lab/Academic Renovations Project went for a Vote 2 for \$52.5 million. This is a funding allocation that will be utilized to focus on renovations that will accommodate new faculty hires and to renovate backfill spaces on the campus. The funding includes \$46 million from UMBA. UMBA is in the process of receiving approval from the Executive Office of Administrating and Finance for the project.

Executive Director Filippone stated that Deputy Director/General Counsel, Dave Mullen has worked with attorneys from Mirick O'Connell for the past seven months to review the design, construction and OPM contracts. The overall impression of UMBA contracts was positive and that UMBA has taken proper measures to ensure risk management.

Executive Director Filippone noted that the Bayside Lease was approved at the Special Board meeting held in February. Executive Director Filippone noted that upon execution of the Agreement to Lease, the developer will provide its first payment in the form of a deposit in the amount of \$7,000,000.00. Half of this deposit shall be non-refundable after the due diligence period.

Approval of the Minutes:

Chairman Woolridge asked for a motion to approve the minutes of the November 29, 2018 Board Meeting and the February 14, 2019 Special Board Meeting.

It was moved, seconded and unanimously

VOTED: To approve the minutes from the November 29, 2018 Board Meeting and the February 14, 2019 Special Board Meeting.

Chairman Woolridge asked David Mullen for his update of the proposed By-Law Amendments and Conflict of Interest Policy.

Mr. Mullen spoke of the preliminary draft of the By-Laws and the proposed amendments. Mr. Mullen also spoke of the Conflict of Interest Policy and that the Building Authority is mirroring the Conflict of Interest Policy of the Board of Trustees.

Chairman Woolridge asked for a motion to accept the Conflict of Interest Policy of the Building Authority.

It was moved, seconded and unanimously

VOTED: To accept the Conflict of Interest Policy of the Building Authority.

Chairman Woolridge asked Jennifer Gonzalez for her financial report update

Financial Report

Ms. Gonzalez gave an update on UMBA's debt portfolio. Ms. Gonzalez noted that UMBA has extended the 2008-A and 2008-1 liquidity facilities to July 2022. She also noted that UMBA was in the process of extending the liquidity facility for the 2011-1 for another 3 years. Ms. Gonzalez said that the liquidity facilities for the CP programs expire in August, and those will be extended or replaced in the next couple of months.

Ms. Gonzalez mentioned that UMBA would be pricing the refunding of the 2009-2 BABs. She noted that rates have come down since UMBA's initial projections, and that UMBA was including the portion of bonds issued for Boston that were issued for various projects. She also noted that the portion for the Bayside acquisition will remain outstanding.

Ms. Gonzalez stated that UMBA's debt portfolio has a descending structure, which will allow the campuses to issue debt in the future for projects while complying with the 8% limitation. She also stated that 53% of outstanding principal is payable within 15 years.

Chairman Woolridge asked Carl Erickson for the FY2020 Proposed Budget report.

Mr. Erickson opened his remarks noting that the memo in the board materials provided a preliminary year-end projection of UMBA's operating expenses for FY2019 and a proposed FY2020 operating budget. Mr. Erickson noted that the proposed FY2020 budget was informational and that approval would be requested of the Board in June. Trustee Wu asked how the revenue from Management Contracts is set. Executive Director Filippone stated that under UMBA's enabling legislation, UMBA issues bonds only at the request of the President's Office and the campuses. Projects with bond funds are then managed by UMBA. There is a Master Contract for financial assistance for those services and the revenue required is to cover the operating expenses of UMBA. It is not a specific rate, but a break even amount to cover UMBA's debt service, insurance and operating costs.

Mr. Erickson noted that a significant portion of UMBA's operating budget is fixed costs. Rent & Insurance comprises nearly 60% of the budget; Compensation & Benefits 30%; and the remaining 10% is Professional Services & Other.

Mr. Erickson informed the Board that the driver of the increase for FY2020 was rent and insurance, which comprised 70% of the budget increase. Chairman Woolridge asked what the rent increase was and how it could increase so much. Mr. Erickson clarified that rent increased by 2% and is based on a negotiated lease with previously fixed annual increases. The major increase is driven by insurance. UMBA's risk advisor, KFDA, completed a competitive procurement for insurance coverage. The change for FY2020 is due to an increase in the insurance rate, an update of insured values and completed projects added to the policy. Approximately an additional \$190 Million in property value was added by UMBA this past year. Executive Director Filippone informed the board that properties owned by UMBA must be insured and that values are based on replacement costs, which increase each year.

Mr. Erickson closed by summarizing the change to compensation & benefits for FY2020 which reflects funding of the new Accounting Manager, an allowance for merit increases which would be done as part of the President's Office recommendation and fringe rates provided by the Group Insurance Commission.

Chairman Woolridge asked if there were additional questions and noted again that the FY2020 budget was being presented in advance to allow the Board to ask questions or seek clarification prior to approval. There was no further discussion.

Chairman Woolridge asked Gerry-Lynn Darcy to give an update on the Financing Strategies Committee meeting.

Report of the Committees

Ms. Darcy reported on the Financing Strategies Committee meeting that was held on March 7th. Ms. Darcy noted that Matt Gorzkowicz of the President's office explained that the new P3 process would be comprised of nine steps. Ms. Darcy mentioned that the President's office has contracted with KPMG to perform an options analysis and market sounding with potential developers.

Ms. Darcy reported that all members of the Financing Strategies Committee were in agreement that there was uncertainty in the financial feasibility and that they would want to see definite financial information before the project moved forward.

Ms. Darcy stated that KPMG was directed to reach out to the 12 firms that participated in the market soundings and asked them to provide their costs before the next meeting.

Ms. Darcy also mentioned that the Financing Strategies Committee was concerned about the amount of money spent on consultants for this project thus far.

Ms. Darcy said that since the Financing Strategies Committee meeting a decision has been made to hold off on bringing any approvals to the Board of Trustees A&F Committee. These include the Amherst P3 project and two new P3 projects that UMass Dartmouth and UMass Lowell are looking to do. Ms. Darcy stated that an additional Financing Strategies Committee meeting has been scheduled for April 3rd immediately following the Board of Trustee meeting in Worcester. Ms. Darcy said that three Chancellors and their staff have been invited to attend and that they needed to be prepared to present a robust financial model that supports the feasibility of underwriting their Public Private Partnership project utilizing alternative procurement.

Chairman Woolridge asked Matt Gorzkowicz to give an overview of the UMPO Capital Planning Land and Facilities Use Policy.

Capital Project Report

Matt Gorzkowicz, Assistant Vice President for Planning and Accountability, stated that he would like to start by giving some context to the policy. The Board of Trustees revised the policy under Chairman Woolridge and the process has been working well and it has been well

received by the Trustees. Recently they have started to see non-traditional, P3 projects and there has been some confusion by Board Members regarding who approves what and when and as a result there have been a lot of questions. .

Mr. Gorzkowicz then discussed the on-going Amherst P3 project and commended them for following the new process before the policy was adopted.

Mr. Gorzkowicz reviewed the new process including the pre-vote steps, as well as the 3 Votes for Alternative Procurement projects. Chair Woolridge stated that we need to figure out how to make it a smoother process. Chair Woolridge reminded members we are talking about processes today and that the April 3rd Financing Strategies will be about the specific projects.

With no further business to discuss in open session, Chairman Woolridge adjourned the meeting at 12:42 p.m.

At 12:42 p.m. there was a roll call vote to enter into Executive Session. It was also announced that the meeting would not return to open session.

It was moved, seconded and unanimously

VOTED: To end the meeting and enter into Executive Session.