



STATE BOARD OF EDUCATION
TRUSTEES OF BOISE STATE UNIVERSITY
TRUSTEES OF IDAHO STATE UNIVERSITY
TRUSTEES OF LEWIS-CLARK STATE COLLEGE
BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO
STATE BOARD FOR PROFESSIONAL-TECHNICAL EDUCATION
TRUSTEES FOR THE IDAHO SCHOOL FOR THE DEAF AND THE BLIND

**OFFICIAL MINUTES
STATE BOARD OF EDUCATION MEETING**

December 17, 2002

**Boise State University Student Union Building – Lookout Room
Boise, Idaho**

A special meeting of the Idaho State Board of Education was held on December 17, 2002 in Boise, Idaho. The meeting began at 9:00 a.m. President Blake Hall presided. The following members were present:

Blake Hall, President
Rod Lewis, Secretary
Paul Agidius
Karen McGee

Jim Hammond, Vice President
Marilyn Howard, State Superintendent
Laird Stone
Darrell Manning

I. Call to Order / Agenda Approval

MS (Hammond / McGee): To approve the agenda as presented. *The motion carried unanimously.*

II. Final Reading Section I, Subsection G.

MS (McGee / Stone): To approve for final reading changes to Board Governing Policy and Procedures, Section I.G., relating to conflict of interest. *The motion carried unanimously.*

III. Public School Budget Requests FY 2004

MS (Hammond / Stone): To amend the decision on the public education budget approved on the 12th of December 2002 as follows: Approve an MCO budget including the enhancements required by law plus technology one-time funding of \$5 million and Limited English Proficiency of \$85,000, and if funds become available, the Board will revisit this decision. *Motion carried 7-1 (Howard dissenting).*

Prior to the vote, a discussion ensued regarding this motion intended to exclude from funding specific line items like the Idaho Reading Initiative, the Idaho Distance Learning Academy and the achievement standards implementation. It was noted that it was not intended to exclude specific line items, but to keep the public school request in line with the maintenance of current operations requests that the higher education institutions were held to, and that within the dollar amount provided, the Superintendent of Public Instruction can prioritize as necessary.

Board member Lewis noted the importance of remembering that we have new federal dollars coming in to the state in the range of \$25-30 million. The intent of the motion is to treat public schools same as others in education, while recognizing that we have other dollars coming in from the federal government.

Board member Hall noted that the motion provides that we will revisit if additional funds become available, and stated that all education budgets should be revisited if additional funds become available.

IV. Idaho Water Center

Individuals from the institutions and agencies involved with the Idaho Water Center project joined the Board at the table and introduced themselves.

Daryl Jones, BSU; Charles Ruch, BSU; Jennifer Fischer, ISU; Larry Brannen, UI; Trudy Anderson, UI, Robin Dodson, ISU; Bob Hoover, UI; Jerry Wallace, UI; Phil Kushlan, Capital City Development Corporation; Karl Dreher, Water Resources; Pat McMurray, UI Foundation; Roy Eiguren, UI Foundation; Ryan Armbruster, UI Foundation; Wayne Muelman, Idaho State Building Authority (ISBA); Ed Miller, Givens-Pursley; Nick Miller, Hawley Troxell; Bob Campbell, Lehman Brothers; Ken Prolo, ISU; Jonathan Lawson, ISU; Brian Pitcher, UI; Joann Carr, UI; Georgia Yuan, UI; Ken Harris, UI; Laura Hubbard, UI; and Bud Tracy, ISBA.

Board member Hall stated that the Board has had a number of questions relative to this project, and noted that the format will be to start with a presentation from Dr. Hoover, then open up to questions from the Board. He noted that this is not the first time the Board has examined this project.

Board member Hammond shared with the Board, in accordance with Board policy relative to conflict of interest, that he also serves on the Idaho State Building Authority, which is also very involved with this project.

Dr. Hoover proceeded through a slide presentation (Attachment B) that began with a chronology of the events that led up to the meeting today. He noted that the UI has been developing this project for nearly four years now, beginning in March 1998 with state legislation that encouraged state entities in lease arrangements to move from those leased arrangements to ownership. He noted this action sparked the UI and ISU to look for a way to move from the leased facilities that both have in the Treasure Valley into facilities that would be owned at some point in the future.

Dr. Hoover noted that with beginning discussions, he heard frequently the preference to locate the site in an urban area, like downtown Boise, not in a more remote site. He explained that he then met with Dr. Bowen to see if he wanted to work jointly, and then with Dr. Ruch to seek permission to move forward with his blessing, which was granted.

Dr. Hoover continued that the UI has been collaborating with a number of entities since then, including the Board, the Capitol City Development Corporation (CCDC), the City of Boise, Ada County, state agencies, Senator Craig and members of the Congressional delegation, the Forest Service and a number of other agencies. Approvals at various critical junctures have been received, not only from the Board, but from a variety of other groups. Dr. Hoover noted that UI and ISU are pursuing items identified in each institution's strategic plan associated with outreach.

Dr. Hoover noted (on slide 5) the original Rite-Aid property purchased by the UI Foundation, and the Forest Service project, for which legislation was passed by Congress to allow a transfer of that property to the UI Foundation. He explained that this is the property that is important today because it is the property associated with the Water Center. When the Water Center is constructed, it will allow us to make a trade out according to the legislation that was passed in Congress, providing room for the Forest Service research group inside the Water Center. This land would then become part of an integrated whole in terms of the Idaho Place area.

He continued that there are multiple building sites, including the proposed Health-Science facility for ISU, the proposed auditorium area, the Wright Learning Center, and then, across the street, the area associated with the Water Center. Only one of the buildings is under consideration today. There are also additional building sites for future expansion of this site in terms of educational activities associated with this complex.

Jennifer Fischer, ISU, noted that the Board, in its strategic plan, directs the institutions not only to provide quality programs and services, but to increase assets, to provide efficient use of resources, to enhance Idaho's economy and to prosper in partnerships and cooperative ventures. She explained that this is being accomplished by collaborating with sister institutions across the state through outreach centers. Program development at outreach centers is based specifically on the assigned roles and missions of each of the institutions, on primary service regions, and on traditional institutional strengths. She cited examples of the assigned role and missions assigned to each institution. She noted that service regions are also established based on the geography of the state, and explained generally which regions apply to which institution.

Ms. Fischer continued by stating that in order to be cohesive and responsive in this partnership, the program coordination that is planned for the Treasure Valley is patterned after the management structure at University Place in Idaho Falls. The oversight council in Idaho Falls has been working well for the past five years. She continued by describing the members of the council and the work that they do. She noted that although structures in regional outreach center are similar, they will also be different and responsive to the needs of the individual area. She concluded by referring to a handout distributed to the Board that described recent oversight council actions and the proposed structure for the Treasure Valley oversight council.

Dr. Larry Branen addressed the Board relative to the management structure put together for the Treasure Valley site. He noted that communication is key in this activity and stated that he has met with the ISU representative on a weekly basis. He noted that the Treasure Valley Oversight Council was established in October 2002 to be responsible for all the major policy issues regarding the mission specific programs offered in the Treasure Valley. All meetings of this Council include the Presidents and Academic Officers of BSU, ISU, and UI, and the Executive Director of the State Board of Education. He explained that in addition to the Oversight Council, a Local Operations Committee that specifically deals with programming in Boise has been established. The membership is made up of the same institutions, BSU, ISU and UI. Serving also on the group are the Chief Academic Officer for ISU at Boise, the Dean of UI at Boise, and the Provost at BSU. He noted that it is anticipated that others will be added as programming is developed. The role of the Local Operations committee is to develop policies and recommendations that go to the Oversight Council for approval, and to collectively interpret and implement the policies and procedures that have been approved. The overall goal of the committee is to provide coordination of all of the programs offered at Idaho Place. Dr. Branen continued by describing that there are also operating teams established to look at specific areas, including technology and facilities among others. He concluded by describing the work of the technology group to date.

Dr. Trudy Anderson, UI, addressed the Board, describing frequent meetings between she and the academic officers at ISU and BSU. She explained that as a group, they have worked to develop guidance principles for the individual institutions and other organizations that may be tenants at Idaho Place, including BSU's role in the area of student services and registration, the necessity of health and wellness programs, support for students, textbook purchases, and financial aid. She noted that over the next several months, the group will be working on the Memorandum of Understanding among the institutions, which will be patterned after the agreement in Idaho Falls.

Dr. Daryl Jones, BSU, stated that although he has had a number of concerns about Idaho Place, he has taken the opportunity to voice them to the other institutions. He expressed that if Idaho Place is to be a reality, it is important for Boise State to be at the table, thus, he noted that he has been meeting with the group since October to discuss areas where there may be cooperation and areas where BSU might take the lead role, including financial aid, student registration, book store, and a whole variety of other student support services.

Dr. Robin Dodson, ISU, acknowledged the significance of this project and collaborative process, noting there are a variety of different partnerships between the three institutions, primarily aimed at students themselves, offering access to programs that we currently do not have and attempting to make it easier for students to achieve their educational goals.

Dr. Branen turned the groups attention to the Idaho Water Center project. He stated that when the University first started looking at the needs in the Treasure Valley for research and educational programs, water was identified as one of the major priority areas. He described the concept of the Water Center to be a multi-disciplinary collaborative home for federal, state and university partnerships. So far, the Idaho Dept of Water Resources, the USDA Forest Service - Rocky Mountain Research Station, and the Idaho Water Resources Institute have committed to

the partnership with the UI. The UI will have specific programs in the building as well, including engineering programs and laboratories that relate to the whole area of water, and a major state of the art facility for eco-hydraulics, architecture, and tech help. He added that the Inland Northwest Research Alliance may be a part, as well as other components of the USDA and of course, retail and parking spaces. Dr. Branen continued by describing the ongoing and one-time costs and revenue for the project, and distributed a handout of the budget (attached to the minutes)

Board member Manning asked the Director of the Department of Water Resources (DWR) if the costs presented for their agency in this proposal are aligned with those that were presented to the Legislature last year?

Mr. Dreher responded that they are the same as what the Legislature approved, and that his agency is not in a position to go back and ask for more. Mr. Dreher continued that the Department of Water Resources, jointly with the Department of Administration went through a request for proposals process and selected the UI's proposal.

Board member Lewis asked if the Department recently learned that the UI's current lease rates were higher than originally proposed. Mr. Dreher responded that there was some concern raised recently, but that the issue has been resolved. He stated that the rates quoted recently were actually not higher than what had been agreed to.

Board member Lewis asked if this was true in terms of your annual lease rate. Mr. Dreher responded that he believed it was true; however, noted that the costs being looked at recently were somewhat different, but that the differences have been resolved. He noted that they will be within the rate that the Legislature approved.

Board member Hall asked what the rate was that the Legislature approved and whether there is a lease prepared for signature today. Mr. Dreher responded that the lease documents have been prepared, but that the final cost schedule has not yet been incorporated. He presumed it would be complete later in the day and that there will be reviews to ensure the costs are aligned with that the Legislature approved.

Board member Hall noted that DWR is one of the anchor tenants, thus the Board wants to be satisfied that DWR is going to sign the lease, terms have been agreed to, and that there is confidence it is within the budget provided for by the Legislature.

Mr. Dreher responded that he was confident that he would sign the lease. He stated he had checked with the Governor's Office and the Governor is solidly behind the initiative and has given his consent to go ahead and execute the lease provided the terms are consistent with what was initially discussed.

Board member Hall inquired as to what the terms of the lease will be and what is anticipated for annual rent for DWR. Mr. Dreher stated that the annual lease payment will start at \$18 per square foot, with the debt service escalating \$.50 a year. He continued that the operations agreement does provide for a review and renegotiation of operation and maintenance expenses every 5 years.

Board member Lewis noted that it was his belief that there may have been a recent miscommunication about the rate for DWR being higher than \$18 per square foot, but that DWR informed the UI that going beyond this cost was unacceptable and any increase in cost would need to be covered by the UI.

Mr. Wallace explained that yesterday's look at financing was simply a review of financing with the Idaho State Building Authority structure.

Board member Lewis questioned whether the revenue plan for UI, with an annual cost of \$2.7 million had taken into account the rate schedule for DWR at \$18 per square foot. Mr. Wallace replied that it did.

Board member Hall inquired as to whether the partner lease income shown for FY 2005 at just under \$900,000 included just the DWR or others in addition. Mr. Wallace explained that the schedule includes more. It presents the scenario of only renting 50% of the remaining space. He stated there is a lot of interest in the Water Center and there is a belief that they will be able to rent the space.

Board member Hall inquired as to the responsibility of the UI / Board of Regents for the total cost if the revenue isn't available. Dr. Branen replied that the exposure is as shown on the budget handout. He continued that the UI is dependent on the IDWR lease, which the State Building Authority is aware of and expects the lease to be in hand in order to move forward. He explained that the total first year payment from IDWR, which is due in FY 2006, is \$920,000.

Board member Lewis inquired as to who is covering costs from 2004 completion to 2006 first year payment. It was stated that those costs will be covered by interest, and partial rent payments once entities move in. It was added that the first annual lease payment expected from the Forest Service would be \$337,000 plus \$124,000 in operations and maintenance, which equates to \$21.50 per square foot.

Mr. Wallace continued to explain the approach to parking at the facility. He explained that the site sits within the city of Boise, in an urban renewal district, so he consulted with the city and with the Capitol City Development Corporation (CCDC). Mr. Kushlan explained CCDC's approach to parking, which will be to share spaces with other organizations in the area.

Board member Agidius inquired as to whether the needs of students were considered in the parking arrangements. It was noted that student needs and specific hours of use were taken into consideration.

Dr. Hoover concluded the presentation by explaining the debt management plan. He explained that the actual backing for the project itself is the value of the buildings as they are built, with rent coming from the tenants that occupy the space. He noted that the project is in response to the goal for enhanced program coverage as well as for additional research capability.

Board member Hall inquired as to how realistic it is to expect \$800,000 in strategic gifts as provided for in the budget. Dr. Hoover explained that the research capability will continue to

grow, especially in relation to the water resource program which already has an international reputation.

Board member Hall inquired about the up to \$2 million annually to operate the facility in Boise, and what sort of impact it may have on the main campus. Dr. Hoover explained that there are two parts to the budget situation at UI. One is the 10% reduction in this fiscal year and the other is approximately 15-16% of unfunded issues that were passed on. The plan is to deal with these over a five-year period through reallocation of campus resources and through growing additional resources.

Board member Hall expressed concern over the possibility of not coming through with the funds that are needed to maintain the facility and to pay the lease, and stated that he did not want to see a situation where the University would need to go to the Legislature and ask for a special appropriation to cover the debt, especially given the impact that such an appropriation would have on the other higher education institutions. Mr. Hall expressed his desire to continue allocating the lump sum appropriation for the colleges and universities as it is currently and stated that he does not want to see an effort at some future time to change the formula to help pay for this project.

Dr. Hoover distributed a resolution intended to respond to Board member Hall's concerns. He explained that the lease agreement with the State Building Authority is intended only to implicate the UI's portion of the lump sum budget. In fact, he added, the University intends never to use the appropriation, however, it is a requirement that it be shown as alternate income.

Board member Lewis expressed concern that regardless of what the University resolves to do, the contracts are very firm about what is required. In the event of default, there is an acceleration clause by which the bondholders are allowed to seek all of the funds associated with the remaining principle and interest. He continued that the University may merely give notice that it is going to terminate the lease if it does not receive the money that it needs or if it does not otherwise have the financial resources to continue, in which case the ISBA has an obligation to continue to make the debt payments to the bondholders. He noted his belief that in one form or another, the state will be required to back up those payments. He noted that the money is borrowed and will need to be paid back, with the ultimate payer being the state. Perhaps the state can choose not to pay in which case there would be a default and the bond rating of the state will diminish, which would then increase the interest rates otherwise serviced by the state.

Nick Miller responded that fixed rate bonds are being proposed so that the year-by-year debt service will be known. He continued by explaining that the ISBA has leases with about twelve other state agencies, all of which are structured the same way, the state agency pays rent and if the Legislature fails to appropriate the rent, it is not a default, it is an event of nonrenewal. He continued that in the event of nonrenewal, the building is reclaimed by the ISBA, and the state and the affected state agency have no further obligations. He concluded by stating that the ISBA was set up and designed to allow for assets-based financing – it is not general obligation or financing only of a specific building. Mr. Miller also explained that in the event of nonrenewal and the ISBA having difficulty in leasing the property to another party, there are funds set aside in a debt service reserve fund that can be used to buy one year's transition time. In the event that

it cannot be leased in a year's time, the bondholders will likely step in. He noted that the bonds are then in default, but the remedy for the default caused by the failure to appropriate funds is that the bondholders step in and become the owner of the building through the bond company. He agreed that there is a potential to impact the state bond rating in this instance, as well as the ability of another state agency to go through the ISBA.

Board member Hall stated that in fairness, this is true with regard to all of the bonding that is being done across the state. He noted that this project is not unique in that regard, that there is a significant amount of bonding occurring across the state, and to the extent that any of those fail and go into default, they have the same potential to impact the state's bond rating as this project would.

Board member Lewis noted that this is the point he has been trying to clarify. To the extent that this project has been represented as being different, it is in fact not different. There is a debt obligation to be paid, and if it is not paid, there are harmful consequences and the state stands to be harmed. He questioned whether this is the first time the education community has stepped in and used general obligation bonds as opposed to having them backed by revenue sources outside of our appropriation.

It was noted that the School for the Deaf and the Blind used this mechanism in 1984 for the total renovation of that campus.

Board member Lewis explained that his intent is to try to examine the impact of this action so that the Board understands better the considerable pressure we may end up under to appropriate these funds. He explained that if there is a shortfall at the University in respect to this project, the nature of the project will compel the Board to make sure that funds are available.

Board member Lewis continued by addressing the lease rates. He noted that a class A space in the city generally is quoted at \$18.50 per square foot; however, they are actually ending up being leased for closer to \$15. He stated there is a vacancy rate of 8-10% right now in the city. He also noted his concern over rates going up and the appropriateness of the UI entering into additional debt and a long lease.

Board member Lewis continued by noting that the UI's current debt to equity ratio is 6 to 1. He noted that with the Water Center project, that ratio will jump to around 9 to 1, and with the rest of the project, up to about 12 to 1. He stated that the UI is already highly leveraged, much higher than the other institutions, and expressed concern that the Board is encouraging the institution now to incur much greater debt. A discussion ensued regarding the debt service payments.

Board member Lewis stated concern over the fact that the UI came to the Board within the past year supportive of policy changes related to financial exigency, as well as coming forward and reporting to the Board a plan to reduce a \$30 million deficit at the institution over the next five years. He expressed appreciation over being provided the information, but wondered how an institution with significant debt and shortfalls, in the midst of a state budget crisis, could come

forward and ask for approval for a very significant building project that would increase its budget by a fair amount.

Dr. Hoover replied that the financial exigency policies were changed at the request of all of the institutions, not just the UI, and were necessary given the state shortfalls and potential for further holdbacks. He noted that investments made in recent years have significantly increased the institution's revenue stream, including that from research grants, which has grown significantly. He concluded that the institution plans to grow out of the financial problems rather than decreasing programs or faculty.

Board member Lewis inquired about the academic offerings at the Water Center. He also noted his concern with funding an institution from outside to come into Boise and offer programs when the local institution is in a situation of significant growth where students are almost having to be turned away, yet there is a lack of funds to allow them to build sufficient space.

Dr. Hoover explained that the types of programs anticipated are significant research programs with some of the very best graduate students that can be attracted. He continued that the collaboration that will exist among groups at the site will make it one of the premier water centers in the world, with a focus on Idaho problems. He concluded by noting that the financing mechanism used for this project has potential for all of the institutions in the state.

Board member Hammond turned attention to the resolution from the UI. Board member Hall clarified that the resolution was intended to ensure that the UI does not, in the future, go around the Board and request from the Legislature a separate appropriation for this project. Further, it clarifies that funds are distributed to all of the institutions under Board policy such that each will get their share, and if the UI is short on funds for this project, we will not come back and take funds from the other institutions to make up the shortfall to the UI. Additionally, it mandates that the UI cannot use any of their appropriated dollars to make lease payments unless they have included a proposal to do so in their original budget request to the Board.

MS (Hammond / Agidius): To adopt the resolution from UI with amendments, resolving that appropriated funds comprising the lump sum appropriation from the Board to any other institution under the supervision of the Board never shall be used to pay University Rent. The motion carried 7-1 (Lewis dissenting)

*MINUTE ENTRY OF THE BOARD OF REGENTS OF THE UNIVERSITY OF IDAHO
AND THE STATE BOARD OF EDUCATION
(the "Board")*

December 17, 2002

WHEREAS the Board in its capacity as the governing Board of the University of Idaho proposes to enter into a certain Facilities Lease ("Lease") with the Idaho State Building Authority for the Idaho Water Center Project (the "Project"); and

WHEREAS, the Idaho State Building Authority will issue its Bonds ("Bonds") to finance the Project; and

WHEREAS, solely for the purpose of securing a favorable credit rating on the Bonds the Facilities Lease obligates the University to include its general account appropriated funds in its requested operating budget in an amount necessary to pay the "University Rent" as defined in the facilities Lease for Board approval; and

WHEREAS the University expects to provide funds other than appropriated funds for the payment of the University Rent.

NOW THEREFORE, the Board resolves as follows: Appropriated funds comprising the lump sum appropriation from the Board to any other institution under the supervision of the Board never shall be used to pay University Rent.

Board member Hammond noted that this project was brought to the Board a long time ago and certainly has some challenging issues in light of the current budget climate. He noted though that the current climate also makes it more affordable in terms of being able to borrow at a lesser rate of interest. He continued that the project will likely continue to be challenging in the short term, but in the long term it has potential to lead to substantial collaboration between all of the institutions and it creates additional access for citizens.

Board member Stone indicated support for the project and the positive move forward it shows for higher education. Board member Howard agreed, stating that higher education has struggled under these economic times and indicated the importance of operating in a businesslike manner by identifying markets and creating revenue streams. She noted also that the Board may need to consider changes that convey to institutions what is appropriate in this regard, as well as how they can work together to achieve ends.

Board members Lewis and McGee expressed appreciation over the process in the meeting and for the UI's willingness to come forward and answer all the difficult questions.

Board member Hall stated his support of the project stems from belief that higher education in the state of Idaho overall will benefit from it rather than be placed in some level of jeopardy as a result of it. He expressed his intent that, when it comes academics, the institutions should be working as a group to provide the highest level of education for Idahoans, and that the next proposal for a building will need to come forward with a memorandum-of-understanding with the other institutions already in place before he would vote for it.

MS (Hammond / Agidius): To approve the resolution as presented authorizing the President of the Board of Regents of the University of Idaho to execute and deliver documents regarding the Idaho Water Center. *The motion carried 7-1 (Lewis dissenting)*

*BEFORE THE BOARD OF REGENTS
OF THE UNIVERSITY OF IDAHO*

*IN THE MATTER OF THE)
IDAHO WATER CENTER) RESOLUTION
PROJECT)*

_____)
WHEREAS, the Second Regular Session of the Fifty-Sixth Legislature of the State of Idaho passed House Concurrent Resolution No. 60, 2002 Idaho Session Laws 1085 (“HCR No. 60”), wherein the Legislature authorized the University of Idaho to enter into an agreement with the Idaho State Building Authority (the “Authority”) to lease a portion of the proposed building to be constructed by the Authority known as the Idaho Water Center; and

WHEREAS, the Authority and the University of Idaho have determined that the leasing of a portion of the Idaho Water Center by the University of Idaho requires the execution of several contracts, including the Facilities Lease, the Agreement for Financing and Development of the Idaho Water Center, the Parking Access Agreement, and the Operating Agreement; and

WHEREAS, Section 33-107(2), Idaho Code, grants authority to the Board of Regents (“Board”) to acquire title, rights and interests in real property; and

WHEREAS, the Board has determined that the occupancy of the Idaho Water Center by the University of Idaho effects the purposes of Section 33-2801, et seq., Idaho Code, and HCR No. 60.

NOW THEREFORE, BE IT RESOLVED, that the Board hereby authorizes the President of the Board, on behalf of the Board, to execute and deliver the Facilities Lease, the Agreement for Financing and Development of the Idaho Water Center, the Parking Access Agreement and the Operating Agreement and such other documents as may be required or necessary in connection with leasing a portion of the Idaho Water Center for the University of Idaho, and to take all such and further consistent actions as the President shall deem necessary, desirable, appropriate or expedient, in his discretion, to carry into effect the provisions of this Resolution and HCR No. 60.

BE IT FURTHER RESOLVED, that the Board hereby authorizes the President of the University of Idaho, on behalf of the University of Idaho as a constitutional entity, to execute and deliver the Facilities Lease, the Agreement for Financing and Development of the Idaho Water Center, the Parking Access Agreement, and the Operating Agreement and such other documents as may be required or necessary in connection with leasing a portion of the Idaho Water Center for the University of Idaho, and to take all such and further actions as may be required by law and as the President of the University of Idaho shall deem necessary, desirable, appropriate or expedient, in his discretion, to carry into effect the provisions of this Resolution and HCR No. 60.

Prior to a vote on the original motion, Board Member Lewis expressed concern over the compelling need to move forward with this project now. Board member Lewis proposed an amended motion as follows:

MS (Lewis / McGee): To amend the motion such that the project be identified as University Place, that BSU be identified as a lead institution and that an MOU be established between the institutions within whatever time period the Board thinks is appropriate. *The motion failed 2-6 (Lewis and McGee voting in favor).*

Prior to a vote on the amended motion, a discussion ensued regarding the meaning of designating BSU as the lead institution, and the impact the name change would have on the Idaho Water Center part of the project, and whether the amendment should be a separate motion.

MS (Lewis / Manning): In the event that such a center is hereinafter developed, that the Idaho Place project be identified as University Place - Boise, and further direct the institutions to negotiate an MOU (memorandum of understanding) relating to governing the administration and provisions of student related services and the development and evolution of programs at the University Place - Boise. *The motion carried 5-3 (Hammond, Howard, Agidius dissented)*

Prior to the vote, a discussion ensued regarding the ramifications of naming the future center now.

MS (Manning / McGee): To instruct the Executive Director to bring back to the Board policy guidance for memorandums of understanding that would clarify the Board's expectations for satellite centers, and that the Board place on the agenda for the next Board meeting or within three months, subject to the Board President's discretion, a discussion on the governance of satellite centers. *The motion carried unanimously.*

Prior to the vote, a discussion ensued. It was clarified that the intended definition for a satellite center is a collaborative effort with more than one institution involved.

The meeting adjourned at approximately 2:45pm.

HANDOUTS DISTRIBUTED AT THE MEETING:

ATTACHMENT A - BUDGET

ATTACHMENT B – POWERPOINT SLIDE PRESENTATION

University of Idaho

IWC Business Plan, Projection

17-Dec-02

	<u>FY2005</u>	<u>FY2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
Sources:					
UI					
Current Funding at UI Center	\$ 170,000	\$ 170,000	\$ 170,000	\$ 170,000	\$ 170,000
Occupancy Costs	120,000	120,000	120,000	120,000	120,000
Budget Plan, Revenue Growth	1,300,000	1,500,000	2,000,000	2,000,000	2,000,000
Research Grants	600,000				
Strategic Gifts	1,600,000	800,000	800,000	800,000	800,000
Educational Fees		50,000	50,000	50,000	50,000
Partner Lease Income @50%	866,477	913,708	919,154	924,601	950,994
	<u>\$ 4,676,477</u>	<u>\$ 3,553,708</u>	<u>\$ 4,059,154</u>	<u>\$ 4,064,601</u>	<u>\$ 4,090,994</u>
Uses:					
UI – Idaho Water Center, all but IDWR, USFS					
Rentable Square Feet	\$ 1,922,318	\$ 1,922,318	\$ 1,922,318	\$ 1,922,318	\$ 1,922,318
Average Debt Service	708,590	723,507	738,425	753,343	769,504
Operations & Maintenance	120,000	109,160	109,160	109,160	109,160
Technology beyond – Phone & Data	1,400,000	-	-	-	-
Furniture, Fixtures, Equipment (\$16/asf)	4,150,908	2,754,986	2,769,904	2,784,821	2,800,982
Net Revenues	\$ 525,569	798,722	1,289,251	1,279,779	1,290,012

IDAHO *place*

Education, Research and Public Service



Agenda

- **Introduction**
 - **Chronology of Events and Approvals**
- **Management Structure**
 - **Oversight Council**
 - **Idaho Water Center**
- **Parking**
 - **Urban Context**
 - **Specifics of Agreement**
- **Financials**



IDAHOplace – Chronology

March 1998

State legislation (Title 67, Section 5708A) encouraging lease cost analysis on facilities signed into law

November 1999

Presidents Ruch and Hoover meet to discuss concept

March/April 2000

SBOE Strategic Plan adopted

October 2000

Congress passes bill to transfer USFS land

March '98 – November '99

Needs assessment, focus groups, education, water engineering, architecture & law, UI reviewed alternative sites

January 2000

Foundation Board acquires Rite-Aid property, UI and USFS agree on use of land

September 2000

Foundation Board authorizes \$350,000 to be used for up front costs

November 2000

Foundation Board extends authorization to \$1.1 million

IDAHOplace – Chronology

June 2001

SBOE
review and
approval to
proceed

September 2001

Collaborative
agreement
between UI
and ISU

January/April 2002

SBOE approves
UI and ISU
master leases

March 2002

Legislature
approves
concurrent
resolution for
ISBA financing

June 2002

SBOE review
and approval
of project

April 2001

Foundation
Board extends
authorization to
\$13.9 million

May 2002

Foundation
Board extends
authorization to
\$19.8 million

July 2002

Foundation
Board
extends
authorization
to \$30 million

Idaho Place – Site Location



UI Foundation –
2.51 acres, \$1.9 M

US Forest Service –
3.26 acres, \$3.5M

**Aerial view of site
from the south**

Agenda

- **Introduction**
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Statewide Outreach Centers

- **Purpose:**

“In order to increase student access and to provide efficient use of resources, the institutions shall collaborate in hosting programs and cooperate to meet the educational need of all Idahoans, including those who are at a distance from campus.”
SBOE/Board of Regents 10/27/98

- **Program Development based on SBOE policies:**

- **Assigned roles and missions**
- **Primary service regions**
- **Traditional institutional strengths**



Roles and Missions

- **SBOE Statement of Cooperation**
“ . . . The institutions shall collaborate in hosting programs and cooperate to meet the educational needs of all Idahoans, including those who are at a distance from campus.”



Primary Emphases
Business and Economics
Engineering
Social Sciences
Public Affairs
Performing Arts
Teacher Preparation

Primary Emphases
Health Professions
Related Biological &
Physical Sciences
Teacher Preparation

Primary Emphases
Business
Criminal Justice
Nursing
Social Work
Vocational Technical
Teacher Preparation

Primary Emphases
Agriculture
Forestry
Metallurgy
Engineering
Architecture
Law
Foreign Languages
Teacher Preparation

Continuing Emphases
Health Professions
Physical and Biological
Sciences
Education

Continuing Emphases
Business
Education
Engineering
Technical Training

Continuing Emphases
Selected Non-traditional

Continuing Emphases
Business
Education



Primary Service Regions

- SBOE Statement on Off-campus Instruction**

“... The board has established primary service regions for the colleges and universities and vocational-technical education based on the geography of the state.” “...The delineation of primary service regions does not preclude an institution from offering courses and programs in regions where the offerings are consistent with institution’s role and mission.”

North



NORTH IDAHO COLLEGE



University of Idaho

IDAHO *place*
Education, Research and Public Service

Southwest



Southeast



IDAHO STATE
UNIVERSITY



University Outreach Centers

- University Place at Idaho Falls
- NICHE at Coeur d'Alene
- IDAHO*place* at Boise
 - ISU Center
 - UI-Boise Center
- Twin Falls



Program Coordination

- **Patterned after management structures of**
 - **University Place at Idaho Falls**
 - **NICHE at Coeur d'Alene**
- **Collaborative Higher Education Regional Governance**
(approved October, 2002 by President's Council)
 - **Oversight Council**
 - Institutional presidents and chief academic officers and SBOE executive director
 - **Local Operations Committee**
 - Local dean/directors, budget directors, representatives from admissions/registration, outreach vice presidents and others



Oversight Council Role

- **Responsible for major policy issues regarding assessment and delivery of educational programs and services offered in each region**
- **Meets at least twice annually**
- **Review policy and/or governing procedures**
- **Establish operational procedures and guidelines**



Lead Role of Local Institution

- Support for infrastructure needs in primary service area for cooperative programs (first right of refusal to offer)
 - **Student Services**
 - Admissions and registration
 - Financial aid
 - Health and wellness
 - Student activities
 - Other student services
 - **Library and information**
 - **Technology support**
 - **Facility maintenance**
 - **Security**
- In some regions there will be additional partners needed



Collaborative Options

- **Stand alone programs and courses**
- **Distinctive degree programs offered by one institution but relying on the service courses offered by the partner institutions**
- **Cooperative degree programs offered by one institution but name the collaborating institutions**
- **Collaborative degrees carrying the name of all institutions**



Oversight Council Meetings

- **Held in conjunction with Presidents' Council**
 - **October, 2002 - Treasure Valley**
 - **November, 2002 - Idaho Falls**
 - **December, 2002 - Northern Idaho**
 - **February, 2003 - Twin Falls**
 - **March, 2003 - Treasure Valley**
 - **April, 2003 - Idaho Falls**
 - **May, 2003 - Twin Falls**
 - **June, 2003 - Northern Idaho**



Local Operations Committees

- Supports on-site management team at outreach centers
- Meets regularly to address topics such as space utilization, academic program and research opportunities, shared student services
- Establish operational procedures and guidelines
- Executive committee established



Treasure Valley Oversight Council

- Responsible for all major policy issues regarding mission-specific programs in Treasure Valley
- Meets at least twice annually
- Membership
(chaired alternately by BSU, ISU and UI)
 - Presidents of BSU, ISU, UI, others
 - Chief academic officers of BSU, ISU, UI, others
 - Executive director, SBOE
- Agenda topics include IDAHO*place*, facilities planning, academic programs, etc.
- Met in October, 2002



IDAHO*place* Local Operations Committee

- Established in support of on-site management for IDAHO*place*
- Membership (chaired alternately by BSU, ISU and UI)
 - Chief Academic Officer, ISU at Boise
 - Dean, UI at Boise
 - Provost, BSU
 - Assistant Academic Vice Provost, ISU
 - Vice President for Outreach, UI
 - Others
- To develop policies and recommendations for Oversight Council to consider and to collectively interpret and implement the policies and procedures established
- Meets at least once per month
- To coordinate programs offered at IDAHO*place*



IDAHO*place* Local Operations Committee

- **Executive committee established**
- **Operating teams established**
 - **IDAHO*place* Technologies Group**
 - **Management councils for each center**
 - **Facilities management teams**
 - **IDAHO*place* local advisory council**



IDAHO*place* Technologies Group

- **BSU leads/facilitates the ITG planning**
- **6-8 participants from each institution (BSU, ISU, UI)**
- **Meeting since May 2001**
- **Accomplishments**
 - **Set of requirements developed for voice, data, and video**
 - **Set of options for supporting telecommunications**
 - **Technical requirements documents**
 - **Business strategy and plan developed and presented to institutions**



Collaboration at IDAHO*place*

- **Guiding principles for recruitment and acquisition of tenants**
- **Description of partners**
- **MOU among institutions**



What is the Idaho Water Center?

- **The Idaho Water Center will provide:**
 - **A multi-disciplinary, collaborative home for federal, state and university partnerships**
 - **A focal point, synergy and mass for addressing Idaho's water and natural resource issues**
 - **An environment that encourages formal and informal communication among its tenants**
 - **Shared computer modeling and GIS systems**
 - **State of the art learning and conferencing facilities**



Idaho Water Center

- **Committed**
 - **IDWR**
 - **USDA-FS (Rocky Mountain Research Station)**
 - **Idaho Water Resources Research Institute (IWRRI)**
 - **University of Idaho**
 - **Engineering, Architecture, Tech Help, Collaborative Health Science**
- **Potential**
 - **INRA**
 - **USDA**
 - **Others**
- **Retail and parking**



Guiding Principles for IWC Tenants

- **Priority placed on**
 - **Idaho residents**
 - **Developing programs focusing on water resources, natural resources, engineering and related areas**
- **Higher education tenants will be non-profit organizations**
- **Collaborative working relationships will prevail**
- **Programs will**
 - **Be complementary and non-duplicative**
 - **Fill niches and provide depth and specialization in programs and research unique to participating institutions**



UI Business Plan

- **Annual expenses**
 - **Annual lease costs**
 - **Technology beyond wiring**
 - Phone @\$35/mo/unit
 - Data @\$1,800/yr/unit
 - **Safety, security and other occupancy costs not in rates**
- **One-time**
 - **Technology (\$531/unit)**
 - **Furnishings, fixtures, and equipment (\$16/ASF)**
 - **Relocation**
 - **Other (specialized equipment, video, computers, etc.)**



Breakdown of Expenses

- **Lease expenses**
 - **Bond payments**
 - **Tenant improvements**
 - **Custodial**
 - **Utilities**
 - **Interior and exterior maintenance**
 - **HVAC**
 - **Elevators**
 - **Insurance**
 - **Management**



Breakdown of Expenses

- **Estimated lease rates per sq. ft. at IWC (FY05)**
 - **Wet Laboratories: \$30.43**
 - **Dry Laboratories: \$22.96**
 - **Classrooms: \$19.23**
 - **Offices: \$19.26**



UI Funding Responsibilities for IWC

	<u>Sq. Ft.</u>	<u>Annual</u>	<u>One-time</u>
UI labs, classrooms	40,526	\$857,954	\$1,400,000
UI expansion	30,379	\$642,820	
Other partners	43,719	\$925,094	
Retail	9,690	\$205,040	
Technology costs		\$120,000	
Total annual		<u>\$2,750,908</u>	

One-time costs

Ecohydraulic lab (flume)	\$600,000
Technology/furnishings	\$800,000



Projected IWC Expenses/Revenue for UI

	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>	<u>FY08</u>
Expenses				
Ongoing	\$2,750,908	\$2,754,986	\$2,769,904	\$2,784,821
One-time	\$1,400,000			
Total	\$4,150,908	\$2,754,986	\$2,769,904	\$2,784,821
Revenue				
Current Rent	\$170,000	\$170,000	\$170,000	\$170,000
Occupancy Costs	\$120,000	\$120,000	\$120,000	\$120,000
Budget plan/rev.growth	\$1,300,000	\$1,500,000	\$2,000,000	\$2,000,000
Research Grants	\$600,000			
Strategic Gifts	\$1,600,000	\$800,000	\$800,000	\$800,000
User Fees (Ecohydraulics)		\$50,000	\$50,000	\$50,000
Lease Income (50%)	\$886,477	\$913,708	\$919,154	\$924,601
Total	\$4,676,477	\$3,553,708	\$4,059,154	\$4,064,601
Net Revenue	\$525,569	\$798,722	\$1,289,251	\$1,279,779



Space Requests

- **Space available / all buildings (net of parking)**
 - 416,130 sq. ft. total
 - 396,845 sq. ft. program space
 - 19,285 sq. ft. retail space
- **Current space requests / all centers**
 - 357,500 sq. ft.
- **Idaho Water Center (first building)**
 - 186,461 sq. ft. program space
 - 9,690 sq. ft. retail space



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CCDC/City Parking Plans

- **Comprehensive city-led mass transit, alternative transit and parking program**
- **Parking**
 - **Shared-use parking capacity**
 - **Civic Plaza parking garage**
 - **IDAHOplace parking garage**
- **Idaho Water Center and IDAHOplace**
 - **Managed as component of City Parking system**
 - **IDWR has parking permits included in their rental rate**



CCDC/City Parking Plan Benefits

- **This is an urban higher educational center and requires us to think differently about parking and access.**
- **1,200 total parking spaces for students, faculty, staff, clients, visitors and others.**



Guiding Principles to Parking Plan

- **Parking Covenants (CCDC)**
 - **Parking will continue to be managed under a shared regimen in compliance with parking management plan**
 - **Covenants to provide “adequate parking for various users located in the corridor property”**
- **Parking Management Plan (CCDC)**
 - **Unified management / uniform pricing**
 - **Quarterly meetings with owners/significant users to confer on utilization**
 - **Industry standards to guide utilization and cost efficiency**
 - **Changes require notification to and input from interested parties**
- **Parking Study (by Kittleson & Associates for CCDC)**
 - **Modeled supply and demand in IWC district**
 - **Parking management plan to be revised as needed for the benefit of the tenants**



Analysis of Parking Options

- **Outsource to CCDC**
 - **Capital contribution = \$350,000/yr**
 - **Spaces available = 1,200**
 - **Access to all CCDC public parking facilities**
- **IWC constructs**
 - **Capital contribution = \$600,000/yr**
 - **Spaces available = 400**
 - **Access to Idaho Water Center parking only**

Operating costs are equivalent in either option



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University of Idaho Debt Management

- **Component of UI financial plan**
 - **Adopted January 1997 (financial diversity)**
 - **Investment strategy to enable UI strategic plan (leveraging)**
 - **Establishes expenditure limit for debt service → 7% of total annual university expenditures (risk tolerance)**
 - **Program periodically evaluated by bond rating agencies (credit rating)**
- **Debt capacity (allowance for debt service)**
 - **Current obligation (after research projects) → 3.8%**
 - **Projected obligations (including all UI IWC & IP leases, full risk) → 4.9%**
- **Dedicated facility fee revenue projects (examples)**
 - **Idaho commons (residential campus)**
 - **Student recreation center (residential campus)**
 - **Research laboratory development (competitive research capability)**
- **Rental revenue / asset backed projects (examples)**
 - **Student housing projects (residential campus)**
 - **IDAHOplace / Idaho Water Center (enhance outreach & research capability)**

