UNIVERSITY OF MAINE SYSTEM
Board of Trustees

University of Maine System, Bangor
January 26, 2004

Board of Trustees Meeting


Trustee Johnson, Chair, convened the meeting.

Citizen Comment. Citizen Comment is a time regularly set aside for comments from the public. No one signed up to speak at the meeting.

Acceptance of Minutes. On a motion by Trustee Mullen, which was seconded by Trustee McCrum, the minutes from the October 29, 2003 Audit Committee and Finance/Facilities Committee, November 17, 2003 Board meeting and Committee meetings, and November 21, 2003 Investment Committee, were unanimously approved as presented.

Chair’s Agenda and Report. Trustee Johnson welcomed everyone and thanked the University of Maine at Augusta for hosting the Board of Trustees meeting. Trustee Johnson began by stating our universities have seen record level enrollments and they are contributing more than ever to the State’s economy and quality of life. At the same time this is taking place against a backdrop of fiscal issues inside the State and also potential problems with our own budget. We are dealing with the budget challenges by working on a plan that will develop a long term view of how the University of Maine System will be from a strategic point of view. The Trustees, Chancellor, and the Presidents have been work together on a strategic planning process which will take shape during the next couple of months. The progress to date on the strategic plan has been important and substantial and we are all very optimistic about the outcome.
**Chancellor’s Agenda and Reports.** Chancellor Westphal expressed his thanks for the warm thoughts about his new granddaughter and celebrating his birthday today. The Legislature is meeting regarding the budget and the Governor is asking for a majority budget which would take effect in 90 days. The Chancellor hopes to receive an update from the Governor within the next couple of days. As of now our proposed cut is $7 million with a substantial increase in our operational and inflationary costs. The key will be to continue to increase enrollment and retention at our universities.

**Presidential reports:**

**President Peter Hoff, UMaine,** stated that if we truly expect the younger generation to succeed and pay for our retirements, we as a society need to invest in their education. UMaine is on the cutting edge of technology and sciences, an example of this is the Institute of Molecular Biophysics currently be formed with world class biophysicists be recruited to work in the laboratory. Professor Habib Dagher was awarded an NEBHE award, one of six merit awards from the New England Board of Higher Education for excellence in higher education. Dr. Dagher was the only one from Maine to receive is honor. Due to UMaine and specifically the College of Engineering’s efforts of developing commercial viability of several patents, Dupont Corporation is now in the process of awarding additional patents to UMaine. The Target Business Development Center, an incubator facility in Orono, was recently ranked among the top 10 in the nation, when calculating the number of spin off firms generated per dollar of investment, and five of the 6 firms that did spin off were formed by UMaine students. The College of Business NBA program has started a new component which includes all NBA students having an international experience. One international experience example included several NBA students involved in collaborative projects with German corporations and universities.

**President Charles Lyons, UMA,** commented that enrollment for the spring semester is up 2.1% which is an increase over the Spring 2003 enrollment. This is the 8th consecutive semester of record breaking enrollments at UMA. Five faculty members from UMA have recently returned from China to foster relationships that will allow future opportunities for students and faculty. UMA is celebrating the 25th anniversary of Women, Work, and Community in Maine with its state-wide hub on the campus. President Lyons talked about the concerns with Maine’s Educational Technicians (teacher aids). Under the No Child Left Behind act, Maine’s Educational Technicians will be required to have an Associates Degree or 60 credits from an accredited institution by 2006 or they will lose their jobs. There are approximately 3000 Educational Technicians in Maine. UMA was asked if they could help and UMA quickly responded by developing one of its existing degree programs, made it available through distance education, and developed brochures outlining the program which were distributed by the Department of Education to the 3000 Educational Technicians.

**President Theodora Kalikow, UMF,** recently attended the Association of American Colleges and Universities annual meeting because of two events. The first event was a presentation by the Documenting Effecting Educational Practice Group (Deep Report)
because UMF was chosen as one of twenty high performing institutions which is the subject of a national study and they were reporting some of the findings of the twenty institutions they had studied. The other reason for attending the annual meeting was one of the items they highlighted about UMF was the involvement of students in research and two students from UMF were at the conference presenting their research. President Kalikow also provided an update on the flooding cars issue and thanked Ed Nobles from the System Office for his assistance with this issue.

President Richard Cost, UMFK, spoke about the 125th anniversary as a campus. The past 12 months the campus has been reviewing and revising their strategic plan for the future of the campus. They feel the future of the campus resides first in targeting their scholarship, research, and curriculum on issues confronting rural communities in American; second highlighting their unique Franco-Acadian culture in the St. John Valley; and finally taking advantage of their location on the doorstep of Maine’s fantastic wilderness areas. Their own strategic plan together with the System’s strategic plan will help them to direct their resources towards the highest priorities. UMFK have recently started the 18 month self study that is required for a NEASC accreditation. UMFK’s enrollment is up with 70 students who are returning Mainers. The new resident hall is 70% completed and Phase I will be completed by February 20 in order to house 150 biathlon athletes for the World Cup Biathlon in March. Fort Kent will be hosting the Can-Am Crown Sled Dog Race on February 21, 2004.

President Sue Huseman, UMM, stated that they opened with record breaking enrollment of over 1300 students including 60 international students. UMM has launched CHUMM (Cultural Host at UMM) which is a host family program where families in the community serve as hosts families for international students for family gatherings, holidays and special occasions. This program provides the international students the opportunity to interact with American culture from inside an American family. The mission and vision that John Joseph helped lead UMM towards is alive and well. They are well on their way to becoming the center for Downeast Coastal Studies which means that the academic programs offered at UMM will grow out of their unique location. UMM has an agreement with the Downeast Institute that will allow UMM to use their facility on Beals Island at Black Duck Cove as a marine field station. Through an NSF grant UMM has been able to advertise two faculty positions, one in marine biology and the other as a marine resource economist. UMM is running an Early College Initiative pilot project with 25 high school students who are taking college courses at UMM. This program will expose these students to the college experience in the hope to spark their interest so they will pursue a post-secondary path.

President Nancy Hensel, UMPI, announced that UMPI’s enrollment is up 17% from last spring. All of the faculty and students in the teacher education program have access to IBooks. UMPI has been working hard to update the technology on their campus and hope to expand the program for every student teacher to take an IBook into their classroom. The Arts and Science faculty are teaching an IP course for the six high schools that are part of the Central Aroostook Council on Education. This program is going very well and started as a one semester course and has been expanded to the full
year. The technology area of the business program curriculum is being updated and UMPI has received a $1.8 million grant from PeopleSoft to do end user training. UMPI is one campus out of two in New England that has been selected to do this end user training. They are in the process of moving their athletic accreditation from NAIA to NCAA division three and as part of the accreditation they are expanding their ski team. It has been a difficult couple of years with the budget cuts and President Hensel expressed her thanks to the faculty and staff at UMPI for their hard work.

President Richard Pattenaude, USM, talked about the increased enrollment and applications are up 4% for the fall. Their parking garage opened on time and within the budget. The library is nearing completion and the Advanced Technology Center in Gorham has broken ground. USM has received successful reaccreditation in engineering, masters of social work, industrial technology, and the small business development centers. The draft campus strategic plan was introduced recently and has received a good response. The university looks forward to increase quality, impact, and sustainability as a new goal.

Committee Reports/Action.
Academic Affairs Committee – Trustee William Johnson, Chair, reported that the Committee recommended the approval of the appointments to the Board of Agriculture, reviewed the academic calendar, and received an update on the Regional Teacher Development Centers and biomedical sciences in Maine.

Finance/Facilities Committee – Trustee McCrum, Chair, reported that the Committee recommended the approval of the UMS Revenue Bonds, capital projects, and facilities action items (lease of research space at the Gulf of Maine Research Institute at USM and the Holocaust Human Rights Education Center at UMA). The FY2003 Annual Grants and Contracts Report and the FY2003 Student Financial Aid Report were reviewed.

Human Resources and Labor Relations Committee – Trustee Weston, Chair, reported that the Committee held a discussion, in Executive Session, on the labor relations context and how it affects Board decision making.

Consent Agenda. On a motion by Trustee McDowell, which was seconded by Trustee Mullen, the following recommendations were unanimously approved by the Board:

Honorary Degree Nominations. The Board of Trustees approved the 2004 nominations for Honorary Degrees as presented.

Appointees to Board of Agriculture. The Board of Trustees approved the appointments of Mr. Don Marean, as the Chancellor’s appointee and Dr. Mike Vayda and Dr. Sue Erich as the faculty representatives on the Board of Agriculture for the next five years.

UMS Revenue Bonds and Approval of Capital Projects. The Board of Trustees authorized the construction of a Combined Heat & Power project on the Gorham Campus of the University of Southern Maine (“co-generation plant”), steam distribution...
infrastructure improvement projects at the University of Maine, and/or other energy efficiency conservation/energy cost reduction projects throughout the University of Maine System up to a total of $5 million and that revenue bond financing be used to finance these projects, with debt service to be paid from the savings in energy costs. In conjunction with this project the Board passed the following financing authorization and reimbursement resolution (as amended):

FINANCING AUTHORIZATION

WHEREAS, the Board of Trustees (the "Board") of the University of Maine System (the "System") desires to finance a portion of the costs of the projects which are more particularly described in the Addendum attached hereto and incorporated herein by reference (the "Projects"); and

WHEREAS, the Board desires to authorize the issuance of not in excess of $50,000,000 principal amount of University of Maine System Revenue Bonds (the "Project Bonds") and the sale of the Project Bonds for the purposes of financing a portion of the costs of the Projects and providing for any necessary reserves and costs of issuance; and

WHEREAS, the Board desires to authorize the issuance of not in excess of $50,000,000 principal amount of University of Maine System Notes or other evidences of indebtedness in anticipation of Project Bonds (the "Project Notes"); and

WHEREAS, it may be advantageous to refund certain of the University of Maine System Revenue Bonds which were issued prior to the date of this resolution (the "Prior Bonds"); and

WHEREAS, the Board desires to authorize the issuance of not in excess of $75,000,000 principal amount of University of Maine System Revenue Bonds (the "Refunding Bonds" and, collectively with the Project Bonds and the Project Notes, the "Bonds") and the sale of the Refunding Bonds for purposes of refunding the Prior Bonds, including payment of or provision for any redemption premium, and providing for any necessary reserves and costs of issuance; and

WHEREAS, the System is authorized to issue the Bonds pursuant to the provisions of 20-A MRSA §§10952, 10953 and 10959, as amended; and

WHEREAS, the Board finds that the financing of a portion of the costs of the Projects and the refunding of the Prior Bonds constitute “assured revenue financing transactions” pursuant to the provisions of 20-A MRSA §10953, as amended;

WHEREAS, in connection with the issuance of the Bonds and the financing of the Projects, the Board desires to authorize the negotiation, entering into, execution, delivery and performance of an interest rate exchange or swap agreement and related agreements and instruments (the “Swap Documents”) by and on behalf of the System; and

WHEREAS, pursuant to 20-A MRSA §10952(8), as amended, the System, as authorized by the Board, is authorized to make, enter into, execute, deliver and amend any and all contracts, agreements, leases, instruments and documents and perform all acts and do all things necessary or convenient to acquire, construct, reconstruct, improve, equip, finance, maintain and operate projects and to carry out the powers granted pursuant to the Act, or reasonably implied from those powers; and

WHEREAS, pursuant to the System’s Charter, §4-B(1), the Board, as the governing and planning body of the System, shall, in fulfilling its duties and among other things, provide sound financial management of the System and exercise prudent stewardship of the assets of the System; and
WHEREAS, the Board has received and considered the advice and recommendations of (a) the Chief Financial Officer and Treasurer of the System (the “Treasurer”), (b) Public Financial Management, with an office in Boston Massachusetts, which was retained to advise the Board and the Treasurer regarding the transactions to be evidenced by the Swap Documents and (c) the Finance Committee of the Board all to the effect that entering into the Swap Documents is convenient to the financing of the Projects and constitutes the providing of sound financial management of the System and the exercise of prudent stewardship of the assets of the System and which advice and recommendations are incorporated in the records of the January 26, 2004 meeting of the Board;

NOW, THEREFORE, be it hereby voted and resolved by the Board as follows:

RESOLVED, That pursuant to the provisions of 20-A MRSA §§10952, 10953, 10955 and 10959, as amended, and all other authority thereto enabling, and to provide funds for the acquisition, construction, reconstruction, improvement and equipping of the Projects, and to provide funds for the refunding of the Prior Bonds, and to pay and discharge any Project Notes, or Project Notes in renewal thereof, issued for said purposes, up to an aggregate amount not to exceed $125,000,000, which amount includes provision for any necessary reserves and costs of issuance, the Treasurer of the System is hereby authorized and empowered from time to time and in the name and on behalf of the System to borrow up to $125,000,000 and the Treasurer of the System be and is hereby authorized and empowered, in the name of and on behalf of the System, to execute and deliver, under the seal of the System, attested by its Clerk or University Counsel, such loan agreements, indentures, pledge agreements, bond purchase contracts, preliminary official statements, official statements, continuing disclosure agreements, remarketing agreements, reimbursement agreements, investment agreements, auction agency agreements, market agent agreements, dealer agreements, standby bond purchase or other liquidity facility agreements, agreements with one or more underwriters, agreements with bond counsel and other agreements, documents and instruments as the Treasurer may deem necessary or convenient or desirable in order to effect such borrowing. Such agreements, documents and instruments may contain such terms and provisions, not contrary to the general tenor hereof, as the Treasurer may approve, her approval to be conclusively evidenced by her execution thereof; and further

RESOLVED, That pursuant to the provisions of 20-A MRSA §10955(3), as amended, and all other authority thereto enabling, and to provide funds for the purposes described above, the Board hereby approves and authorizes the issuance, sale and delivery, as evidence of the aforesaid loan of up to $125,000,000, in the aggregate with respect to the Projects and the Prior Bonds, and against payment therefore, the Bonds not to exceed $125,000,000 in aggregate principal amount with respect to the Projects and the Prior Bonds, in one or more series as the Treasurer shall determine, the Bonds to mature and be payable at such times and in such amounts, to bear interest at such fixed or variable rates, and to contain such other terms and provisions, not inconsistent herewith, as may be approved by the Treasurer, provided that none of the Bonds shall (i) bear interest at a rate in excess of 12% per annum or (ii) mature after December 31, 2034; the Bonds to be denominated by such denomination of an issue as may be selected by the Treasurer; to be manually signed by the Treasurer of the System, sealed with the seal of the System and attested by its Clerk or University Counsel; and to be in such form and contain such other terms and provisions as the Treasurer may approve, her approval to be conclusively evidenced by her execution thereof; and further
RESOLVED, That Joanne L. Yestramski, Chief Financial Officer and Treasurer of the System, is authorized to negotiate, enter into, execute in the name of the System and deliver on behalf of the System all agreements and instruments constituting the Swap Documents including without limitation entering into such other agreements and instruments as are necessary or convenient to financing of the Projects, including without limitation agreements and instruments providing credit enhancement with respect to the Swap Documents, all on such terms and conditions as the said Chief Financial Officer and Treasurer determines are necessary or convenient to financing of the Projects, such determination to be conclusively evidenced by her execution of such agreements and instruments, provided that no Swap Documents may be entered into, executed or delivered pursuant to the authority granted by this Resolution after July 31, 2004; and further

RESOLVED, That the Chancellor of the System, the Treasurer of the System, and, with the express written approval of the Treasurer of the System, the Clerk or University Counsel, or any one of them, be and hereby are, authorized and empowered in its name and on its behalf, to do or cause to be done all such acts and things that may be necessary or convenient or desirable in order to effect the borrowing of up to $125,000,000 and the issuance and delivery as evidence thereof of a corresponding principal amount of the Bonds as herein authorized and the entering into and performance of the Swap Documents and that all acts and things done by the Treasurer in furtherance of the purposes of this Resolution prior to the date hereof are hereby ratified and confirmed; and further

RESOLVED, That the Bonds shall be secured by such assignments, pledges or commitments of funds or revenues, other than appropriations from the State of Maine, as may be approved by the Treasurer; and further

RESOLVED, That the System covenants and certifies that no part of the proceeds of the issuance and sale of the Bonds shall be used, directly or indirectly, to acquire any securities and obligations, the acquisition of which will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended; and further

RESOLVED, That the Treasurer of the System be authorized to covenant on behalf of the System and for the benefit of the holders of the Bonds, that the System will take whatever steps, and refrain from taking any action, that may be necessary or appropriate to assure that the interest on the Bonds will remain exempt from federal and applicable state income taxes; and further

RESOLVED, That the Resolution of the Trustees of the University of Maine System entitled Reimbursement of Project Expenditures attached hereto as an Addendum is hereby approved and adopted.

RESOLVED, That, if variable rate financing is proposed, it must be approved by the Board; and further

RESOLVED, That the Bonds shall provide that, in accordance with 20-A MRSA § 10964, no member of the Board will be personally liable on the Bonds.

This Resolution shall take effect immediately.
REIMBURSEMENT RESOLUTION OF PROJECT EXPENDITURES

Be it resolved that, for purposes of Treasury Regulation §1.150-2, the University of Maine System reasonably expects (1) to incur debt to reimburse expenditures (including expenditures made within the last 60 days) temporarily advanced from funds currently held in the Plant Fund, such expenditures to be made to pay the cost, or a portion of the cost, of acquisition, construction, reconstruction, improvement and equipping of the projects described below (the “Projects”) and (2) that the maximum principal amount of debt to be issued by the University of Maine System for the Projects including for reimbursement purposes is Fifty Million Dollars ($50,000,000).

PROJECTS
University of Maine System: Energy Facility and Energy Efficiency Projects
University of Maine at Farmington: Residence Hall
   (Reimbursement Resolution approved November 17, 2003)
University of Maine: Student Recreation Center
   (Reimbursement Resolution approved September 22, 2003)
University of Maine at Presque Isle: Health and Physical Education Facility
   (Reimbursement Resolution approved June 2, 2003)
University of Maine at Fort Kent: Residence Hall
   (Reimbursement Resolution approved March 24, 2003)

This Resolution shall take effect immediately.

Facilities Action Items.
Lease of Research Space at Gulf of Maine Research Institute – USM. That the Board of Trustees authorized a lease of approximately 6,870 sq. ft. of space in the Gulf of Maine Research Laboratory on Commercial Street in Portland from the Gulf of Maine Research Institute for a five-year period, with a five-year renewal option, at an initial annual lease rate of $99,810, with funding provided from a combination of USM’s share of the Maine Economic Improvement Fund Research & Development allocation and funds generated from Indirect Cost Recovery funds, and contingent upon approval of all documents by University legal counsel. The Board required a clause indicating UMS would not be required to pay more in rental rates than other tenants.

Holocaust Human Rights Education Center – UMA. That the Board of Trustees authorized the construction of the Holocaust Human Rights Education Center at the University of Maine at Augusta, at a cost of $1.5 million, with funding to be provided by private gifts and donations.

Information Items. The following items were included in the agenda for information only:
- Advocacy & Outreach Initiative: Research Phase
- Academic Calendar
- Update: Regional Teacher Development Centers
- Biomedical Sciences in Maine
- FY2003 Annual Grants and Contracts Reports
- FY2003 Student Financial Aid Report
- Discussion of the labor relations context and how it affects Board decision making
- Agenda Calendar
- Summary of Current Statistics

**Date of Next Meeting.** The next meeting of the Board of Trustees will be held on March 21-22, 2004, at the University of Maine at Farmington.

Adjournment

Ellen Doughty for
J. Kelley Wiltbank, Clerk