AGENDA

Tuesday, April 19, 2022
Chair Gardner has determined that with the elevated covid cases in the State, this meeting will be held virtually, in accordance with Board of Trustee Policy 215 - Remote Public Meetings

Call to Order @ 11:30 am
The Board of Trustees will go directly into Executive Session

Executive Session from 11:30 am to 11:50 am

Call to Order/Reconvene Public Meeting @ 11:50 am

Citizen Comment (5 minutes)
Individuals who wish to participate in Citizen Comment, please contact the Board Office at ums.trustees@maine.edu with your name and topic by 12:00 pm on Monday, April 18, 2022.

The Board of Trustees provides time for citizen comment prior to the business agenda at each meeting. The Chair of the Board will establish time limits (usually three minutes per person) and determine any questions of appropriateness and relevancy. Personnel decisions, collective bargaining issues, grievances, litigation and other areas excludable from public discussion under the Maine Freedom of Access Law shall not constitute appropriate matters for such input. A person who wishes to speak during the citizen comment period should arrive prior to the meeting start time and sign up on a sheet provided, indicating name and topic of remarks.

Action Items
Tab 1 - Financing & Project Authorization Resolutions – UMEC & Refunding Prior Bonds
Tab 2 - Authorizing Chancellor to Conclude Negotiations for Appointment of President, USM
Tab 3 - Appointment of Interim President, UMF

Date of the Next Meeting: The next Board of Trustees meeting will be held on May 22-23, 2022 at the University of Southern Maine.

Tabs noted in red text are action items.

Note: Times are estimated based upon the anticipated length for presentations or discussion of a particular topic. An item may be brought up earlier or the order of items changed for effective deliberation of matters before the Board.
AGENDA ITEM SUMMARY

NAME OF ITEM: Financing & Project Authorization Resolutions – UMEC & Refunding Prior Bonds

INITIATED BY: Dannel P. Malloy, Chancellor

BOARD INFORMATION: BOARD ACTION: X

BOARD POLICY:
Section 712 – Debt Policy

UNIFIED ACCREDITATION CONNECTION: N/A

BACKGROUND:
The University of Maine System is planning to issue debt as early as this spring and requests approval of two related resolutions as further described below and in the accompanying materials. Given the current interest rate environment, the resolutions are structured to allow for flexibility on the nature and timing of the issuance.

A Financing and Project Authorization resolution for the University of Maine Energy Center (UMEC) is included for BOT review and approval. This resolution is for financing design services of an aggregate amount not to exceed $6 million, which includes costs of issuance. The Board previously approved, on March 25, 2019, a request to expend as much as $5.7 million related to design services for this project. On January 25, 2021, the BOT approved a reimbursement resolution, which allows project costs to be reimbursed with debt.

A Financing and Project Authorization Resolution is also included for the refunding of certain University of Maine System Revenue Bonds including the revenue bonds issued in 2012 and 2013. PFM is monitoring market conditions to determine if and when the University may achieve interest savings by refinancing the prior revenue bonds and the resolution provides approval to refund such bonds if and when doing so is advantageous to the University.

The University’s financial advisor, Jeremy Bass, will attend the April 19th BOT meeting and provide an overview of the Series 2022 Bond Financing Plan which is included in the meeting materials. Jeremy Bass is a managing director in PFM’s Boston office and the head of the firm’s higher education group. He works with colleges and universities nationally on a broad range of services and has advised on billions in financings through a wide variety of structures.

TEXT OF PROPOSED RESOLUTION:
That the Board of Trustees approves:

- The Financing and Project Authorization Resolution for the University of Maine Energy Center design work, borrowing an aggregate amount not to exceed $6,000,000.
• The Financing and Project Authorization Resolution for the refunding of certain University of Maine System Revenue Bonds including the revenue bonds issued in 2012 and 2013.

Attachments:
Previously approved - Energy Project Phase II Approval Request, UM
Previously approved – Reimbursement Resolution – University of Maine Energy Center (UMEC) Project
Previously approved – Reimbursement of Project Expenditures
Resolution

FINANCING AND PROJECT AUTHORIZATION

WHEREAS, the Board of Trustees (the “Board”) of the University of Maine System (the “System”) desires to authorize the System to finance all or a portion of the costs of, and to undertake, the projects which are more particularly described in the Addendum attached hereto and incorporated herein by reference and any other capital improvement for the benefit of the System which has been or is hereafter approved by the Board (the “Projects”); and

WHEREAS, the Board desires to authorize the issuance of University of Maine System Revenue Bonds (the “Bonds”) and the sale of the Bonds for the purposes of financing all or a portion of the Projects and providing for any necessary capitalized interest, reserves and costs of issuance; and

WHEREAS, the Board desires to authorize the issuance and sale of University of Maine System Notes or other evidences of indebtedness in anticipation of Bonds (the “Project Notes”); and

WHEREAS, the System is authorized to issue the Bonds pursuant to the provisions of 20-A MRSA §§10952, 10953, 10955 and 10959 and other provisions of the Maine Revised Statutes Annotated, Chapters 411 and 412, as amended (the “Act”); and

WHEREAS, the System finds that the financing of all or a portion of the costs of the Projects constitutes “assured revenue financing transactions” pursuant to the provisions of 20-A MRSA §10953, as amended; 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;

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 (a) the planning, design, acquisition, construction, reconstruction, improvement, renovation, rehabilitation and equipping of the Projects, (b) paying and discharging any Project Notes, or Projects Notes in renewal thereof, issued for authorized purposes, up to an aggregate amount not to exceed $5,700,000, (c) any capitalized interest on, reserves for and costs of issuance of the Bonds and (d) any other purpose authorized by law, the Treasurer of the System (the “Treasurer”) is hereby authorized and empowered from time to time and in the name and on behalf of the System to borrow an aggregate amount not to exceed $6,000,000, and the Treasurer be and is hereby authorized and empowered, in the name of and on behalf of the System, to execute and deliver such loan agreements, indentures, pledge agreements, bond purchase contracts, preliminary official statements, official statements, continuing disclosure agreements, escrow
agreements, remarketing agreements, reimbursement agreements, investment agreements, financial advisory agreements, investment advisory 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 with respect to such borrowing. Such agreements, documents and instruments may (a) contain such terms and provisions, not contrary to the general tenor hereof, as the Treasurer may approve, his approval to be conclusively evidenced by his execution thereof, (b) be delivered under the seal of the System and (c) be attested by the System’s Clerk or General Counsel; 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 approved above, the Board hereby approves and authorizes, as evidence of the borrowing approved above, the issuance, sale and delivery of the Bonds in the aggregate principal amount not to exceed $6,000,000, in one or more series as the Treasurer shall determine, in a public offering or a direct purchase with a bank lender as the Treasurer shall determine; the Bonds to mature and be payable at such times and in such amounts, to bear interest at such rates, which may be taxable or tax-exempt or a combination thereof, 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 6% per annum or (ii) mature after December 31, 2052; 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, sealed with the seal of the System and attested by its Clerk or General Counsel; and to be in such form and contain such other terms and provisions as the Treasurer may approve, his approval to be conclusively evidenced by his execution thereof; and further

RESOLVED, That the Treasurer is authorized on behalf of the System, from time to time, to acquire, purchase, sell, redeem, liquidate, terminate or transfer securities or other instruments constituting investments of the proceeds of the Bonds and to negotiate, enter into, execute in the name of the System and deliver on behalf of the System all investment, banking, brokerage, financial advisory, investment advisory and other agreements and instruments as are necessary or convenient to investment and financial management of the proceeds of the Bonds, all on such terms and conditions as the Treasurer determines are necessary or convenient for financing of the Projects, such determination to be conclusively evidenced by execution or acquisition of such agreements and instruments by the Treasurer; and further

RESOLVED, That the Chancellor of the System, the Treasurer, and, with the express written approval of the Treasurer, the Clerk, the Controller, the General 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 any act or thing, and to negotiate, enter into, execute in the name of the System, deliver on behalf of the System, assign,
transfer, modify or terminate any agreement or instrument, which any such officer
may determine to be necessary or convenient or desirable with respect to the
Bonds, the planning, design, acquisition, construction, reconstruction,
improvement, renovation, rehabilitation and equipping of the Projects and the
expenditure, investment and management of the proceeds of the Bonds 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 carrying out of the Projects is hereby approved; and further

RESOLVED, The System covenants that it will, so long as any Bonds are outstanding, establish,
impose and collect tuition, fees and charges for its educational services, its
auxiliary enterprises, including dormitory housing, food service and sale of
textbooks, for use of its plant and for all other services and goods provided by the
System, which tuition, fees and charges, together with other available moneys, in
each fiscal year of the System, will be sufficient to permit the performance of all
the covenants in, and requirements of the System under, the Bonds, including the
prompt payment of principal of and interest on the Bonds as and when due, the
prompt payment of principal of and interest on all outstanding System bonds as
and when due and the prompt payment and performance of all other obligations
as and when due; 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 Treasurer be and is hereby authorized to covenant on behalf of the
System and for the benefit of the holders of the Bonds that, except as hereafter
authorized in this Resolution and in accordance with 20-A MRSA §10952(10),
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, as applicable; and further

RESOLVED, That the Treasurer be and is hereby authorized in accordance with 20-A MRSA
§10952(10) to agree and consent to the inclusion of interest on any of the Bonds,
under the United States Internal Revenue Code of 1986 or any subsequent
corresponding internal revenue law of the United States, in the gross income of
the holders of any such Bonds to the same extent and in the same manner that the
interest on bills, bonds, notes or other obligations of the United States is
includable in the gross income of the holders of such bills, bonds, notes or other
obligations under the United States Internal Revenue Code or any such
subsequent law (the “Taxable Bonds”); and further

RESOLVED, That the System covenants and certifies that, except with respect to any of the
Taxable Bonds, no part of the proceeds of the issuance and sale of the Bonds shall
be used, directly or indirectly, to acquire any securities or 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 Bonds shall provide that, in accordance with 20-A MRSA §10964, no trustee of the System, while acting within the scope of the authority of the Maine Revised Statutes Annotated, Chapter 412, as amended, may be subject to any personal liability resulting from the exercise or carrying out of any of the System’s purposes or powers.

This Resolution shall take effect immediately.

ADOPTED: April 19, 2022
ADDENDUM

PROJECT

University of Maine:

Design work relating to the University of Maine Energy Center Project (the “Project”), which is currently expected to consist of a new energy plant constructed at the University of Maine, which may include combined heat and power. In addition to achieving carbon reductions and fiscal benefits, the Project would replace critical steam and electrical infrastructure that has reached or exceeded its useful life.

This authorization is for the issuance of Bonds to finance the design work only.
Resolution

FINANCING AND PROJECT AUTHORIZATION

WHEREAS, the Board of Trustees (the “Board”) of the University of Maine System (the “System”) finds that it will be advantageous to refund certain of the University of Maine System Revenue Bonds (the “Revenue Bonds”) that were issued prior to the date of this resolution, including without limitation Revenue Bonds issued in 2012 and 2013 (the “Prior Bonds”); and

WHEREAS, the Board desires to authorize the issuance of University of Maine System Revenue Bonds (the “Bonds”) and the sale of the Bonds for the purposes of refunding all or a portion of the Prior Bonds, including payment of or provision for any redemption premium, and providing for any necessary capitalized interest, 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 and other provisions of the Maine Revised Statutes Annotated, Chapters 411 and 412, as amended (the “Act”); and

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

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 (a) the refunding of all or a portion of the Prior Bonds, including payment of the principal and redemption price of and interest on the Prior Bonds, (b) any capitalized interest on, reserves for and costs of issuance of the Bonds and (c) any other purpose authorized by law, the Treasurer of the System (the “Treasurer”) is hereby authorized and empowered from time to time and in the name and on behalf of the System to borrow an aggregate amount not to exceed $60,000,000 and the Treasurer be and is hereby authorized and empowered, in the name of and on behalf of the System, to execute and deliver such loan agreements, indentures, pledge agreements, bond purchase contracts, preliminary official statements, official statements, continuing disclosure agreements, escrow agreements, remarketing agreements, reimbursement agreements, investment agreements, financial advisory agreements, investment advisory 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 with respect to such borrowing. Such agreements, documents and instruments may (a) contain such terms and provisions, not contrary to the general tenor hereof, as the Treasurer may approve, his approval to be conclusively evidenced by his execution thereof, (b) be delivered under the seal of the System and (c) be attested by the System’s Clerk or General Counsel; 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 approved above, the Board hereby approves and authorizes, as evidence of the borrowing approved above, the issuance, sale and delivery of the Bonds in the aggregate principal amount not to exceed $60,000,000, in one or more series as the Treasurer shall determine, in a public offering or a direct purchase with a bank lender as the Treasurer shall determine; the Bonds to mature and be payable at such times and in such amounts, to bear interest at such rates, which may be taxable or tax-exempt or a combination thereof, 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 6% per annum or (ii) mature after December 31, 2052; 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, sealed with the seal of the System and attested by its Clerk or General Counsel; and to be in such form and contain such other terms and provisions as the Treasurer may approve, his approval to be conclusively evidenced by his execution thereof; and further

RESOLVED, That the Treasurer is authorized on behalf of the System, from time to time, to acquire, purchase, sell, redeem, liquidate, terminate or transfer securities or other instruments constituting investments of the proceeds of the Bonds and to negotiate, enter into, execute in the name of the System and deliver on behalf of the System all investment, banking, brokerage, financial advisory, investment advisory and other agreements and instruments as are necessary or convenient to investment and financial management of the proceeds of the Bonds, all on such terms and conditions as the Treasurer determines are necessary or convenient for refunding the Prior Bonds, such determination to be conclusively evidenced by execution or acquisition of such agreements and instruments by the Treasurer; and further

RESOLVED, That the Chancellor of the System, the Treasurer, and, with the express written approval of the Treasurer, the Clerk, the Controller, the General 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 any act or thing, and to negotiate, enter into, execute in the name of the System, deliver on behalf of the System, assign, transfer, modify or terminate any agreement or instrument, which any such officer may determine to be necessary or convenient or desirable with respect to the Bonds and the expenditure, investment and management of the proceeds of the Bonds 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, The System covenants that it will, so long as any Bonds are outstanding, establish, impose and collect tuition, fees and charges for its educational services, its auxiliary enterprises, including dormitory housing, food service and sale of textbooks, for use of its plant and for all other services and goods provided by the System, which tuition, fees and charges, together with other available moneys, in each fiscal year of the System, will be sufficient to permit the performance of all the covenants in, and requirements of the System under, the Bonds, including the prompt payment of principal of and interest on the Bonds as and when due, the prompt payment of principal of and interest on all outstanding System bonds as and when due and the prompt payment and performance of all other obligations as and when due; 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 Treasurer be and is hereby authorized to covenant on behalf of the System and for the benefit of the holders of the Bonds that, except as hereafter authorized in this Resolution and in accordance with 20-A MRSA §10952(10), 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, as applicable; and further

RESOLVED, That the Treasurer be and is hereby authorized in accordance with 20-A MRSA §10952(10) to agree and consent to the inclusion of interest on any of the Bonds, under the United States Internal Revenue Code of 1986 or any subsequent corresponding internal revenue law of the United States, in the gross income of the holders of any such Bonds to the same extent and in the same manner that the interest on bills, bonds, notes or other obligations of the United States is includable in the gross income of the holders of such bills, bonds, notes or other obligations under the United States Internal Revenue Code or any such subsequent law (the “Taxable Bonds”); and further

RESOLVED, That the System covenants and certifies that, except with respect to any of the Taxable Bonds, no part of the proceeds of the issuance and sale of the Bonds shall be used, directly or indirectly, to acquire any securities or 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 Bonds shall provide that, in accordance with 20-A MRSA §10964, no trustee of the System, while acting within the scope of the authority of the Maine Revised Statutes Annotated, Chapter 412, as amended, may be subject to any
personal liability resulting from the exercise or carrying out of any of the System’s purposes or powers.

This Resolution shall take effect immediately.

ADOPTED: April 19, 2022
AGENDA ITEM SUMMARY

1. NAME OF ITEM: Energy Project Phase II Approval Request, UM
2. INITIATED BY: James H. Page, Chancellor
3. BOARD INFORMATION: BOARD ACTION: X
4. OUTCOME: BOARD POLICY:
   Improve Student Success and Completion
   Enhance Fiscal Positioning
   701 – Budgets-Operating & Capital
5. BACKGROUND:
   This is an update regarding the proposed energy center project at the University of Maine and request by the University of Maine System acting through the University of Maine to proceed to the next phase of the project in which the University will have financial risk for the first time.

   In order to continue the project, UM is requesting to expend as much as $5.7 million in connection with the costs of its own experts and diligence as well as the cost of the contractual obligations to the private partner in the project. Of that total, $4.2 million could be due to Honeywell for design services and the remaining $1.5 million is the anticipated cost for various experts to support the University’s own diligence.

   The project concept as currently envisioned ultimately would see a new energy plant constructed at UM including a 6 megawatt combined heat and power plant fueled by sustainably harvested wood energy and a 6 megawatt direct current solar photovoltaic system to provide, distribute, and manage steam and electricity. For context, the Calpine power station in Westbrook is 552 megawatts and a publicly claimed capacity to power 500,000 homes. In addition to achieving carbon reductions and fiscal benefits, the project would replace critical steam and electrical infrastructure that has reached or exceeded its useful life.

   Honeywell asserts that its proposal will provide the University with approximately $111 million of cumulative savings (in excess of $50 million of savings on a relative net present value basis) over a thirty-year analysis period compared to a Base Case.

   This request to continue with project diligence and planning is pursuant to prior commitments made to Trustees when the initiative was first presented in January 2016 as well as pursuant to Board of Trustee Policy 701. Typically, the University determines and designs the best solution for a given situation and then seeks construction bids. However, this project was pursued initially as a power purchase agreement in which the University defined the thermal and electrical energy challenge and then opened the doors through a public, competitive process to the private sector to propose solutions. As stated in 2016: “In this case, the solution or solutions will emerge from the competitive process rather than be determined by the University ahead of time...to ensure transparency and notice, the University is alerting Trustees now of this plan and approach.”
The University subsequently published a solicitation in February 2016. An initially selected partner withdrew from the project in February 2018 and the University then awarded the right to negotiate to the ultimately selected and current partner: Honeywell International Inc.

The information provided to Trustees in 2016 further stated: “Should this initiative result in capital improvements, leases or other matters requiring Trustee consideration – under Polices 701, 801 or 802, for example – those matters would return to the Trustees in the future and prior to the execution of any binding agreements.”

That point has now arrived. Honeywell has proposed a major project with an estimated capital investment cost of $123 million +/- 30%. The project as preliminarily conceived involves replacement of core infrastructure at or beyond its anticipated lifecycle, new biomass and solar energy production facilities, environmental advantages, cost containment, price stability, increased reliability, and a greater focus on local energy and investments.

All preliminary design and project development discussions indicate the project would be advantageous to the University. As summarized by Competitive Energy Services, a 3rd party energy firm advising the University on the project:

“CES reviewed Phase 1 materials for Honeywell’s proposed UMaine Energy Center (UMEC). CES finds that the UMEC would reduce overall energy efficiency compared to current conditions. The efficiency reduction is offset by: (1) lower fuel costs (2) reduced greenhouse gas emissions and (3) infrastructure upgrades. Subject to issues detailed in our memo dated 11/13/2018, and to the understanding that Phase 2 will refine the project design, CES believes it reasonable to proceed to Phase 2. It is not possible to quantify fiscal savings in Phase 1; CES expects that information required to estimate savings will be developed in Phase 2.”

In general, the now-concluded Phase I of this project has involved the negotiations between the parties to preliminarily define the project and estimate its benefits. Honeywell, which has been working on the project for more than a year, has borne the risk of Phase I. Phase II, the currently proposed phase, is the design work needed to firm up the project scope and financials. The conclusion of Phase II will result in a firm fixed price and agreements to be brought to the Board for consideration and approval to commence Phase III of the project, which is the final design, construction and start of service.

The Finance, Facilities and Technology Committee approved this item at its March 6, 2019 Finance, Facilities and Technology Committee Meeting. The item, pursuant to Trustee policy, requires the approval of the full Board of Trustees and has been placed on the Consent Agenda for Board of Trustee approval at the March 24-25, 2019 Board meeting in compliance with Trustee policy.

**6. TEXT OF PROPOSED RESOLUTION:**

That the Board of Trustees, following the vote of approval for this item by the Finance, Facilities and Technology Committee, authorizes the University of Maine System acting through the University of Maine to pursue the University of Maine Energy Center project and to enter agreements under which as much $5.7 million could be expended from University funds identified by the Chief Business Officer and Treasurer, subject to review by the Vice Chancellor for Finance and Administration and Treasurer and University Counsel.
University of Maine System
Board of Trustees

AGENDA ITEM SUMMARY

NAME OF ITEM: Reimbursement Resolution – University of Maine Energy Center (UMEC) Project

INITIATED BY: Dannel P. Malloy, Chancellor

BOARD INFORMATION:

BOARD ACTION: X

BOARD POLICY:
Section 712 Debt Policy

UNIFIED ACCREDITATION CONNECTION:
N/A

BACKGROUND:
The University of Maine System (UMS) proposes to issue revenue bonds to finance design services related to Phase II of the University of Maine (UM) Energy Center (the UMEC Project) and Phase III final design and construction. As such, a resolution to provide for reimbursement from bond proceeds of UMEC Project expenditures made prior to bond issuance is enclosed for Board review and approval. The March 24-25, 2019 Board of Trustees meeting Agenda Item Summary titled Energy Project Phase II Approval Request, UM, provides a summary of the UMEC Project and has been included with these materials for reference.

At its March 25, 2019 meeting, the Board of Trustees authorized the UMS acting through the UM to pursue the UMEC Project and to enter into agreements under which as much as $5.7 million could be expended from University funds identified by the Chief Business Officer, subject to review by the Vice Chancellor for Finance and Administration and Treasurer and University Counsel. The $5.7 million includes anticipated costs for various experts to support the UM’s own diligence and contractual obligations (under Phase II) to its contractor in the UMEC Project (Honeywell) for design services.

The overall UMEC Project as preliminarily conceived offers the promise to provide significant and meaningful collective benefits, including environmental advantages, cost containment, price stability, increased reliability, and a greater focus on local energy and investments. The UMEC Project concept envisions a new energy plant constructed at the University of Maine, which will include combined heat and power. In addition to achieving carbon reductions and fiscal benefits, the UMEC Project would replace critical steam and electrical infrastructure that has reached or exceeded its useful life.

Upon execution of the Project Development Agreement between the parties, Phase II will commence and include the design work needed to refine and confirm the UMEC Project scope and includes financial commitments from the UM to the design-builder, Honeywell International Inc. (Honeywell), of the UMEC Project. The UM anticipates that, at the conclusion of Phase II, it will bring a firm fixed price and agreements to the Board for consideration and approval to

1/14/2021
commence Phase III of the UMEC Project, which is for final design and construction of the UMEC Project.

The UM anticipates needing revenue bonding for capital investment costs should the UMEC Project move to Phase III as is currently expected. While the total cost of the UMEC Project will not be known until Phase II is completed, for purposes of the reimbursement resolution before you today, UM expects that the amount of bonds to be issued for the UMEC Project will not exceed $130 million including capitalized interest, reserves, costs of issuance, any changes in interest rates or use of taxable or tax-exempt bonds, and related construction costs. This $130 million total includes a maximum amount of $5 million for funding the Phase II, Schematic Design Phase, inclusive of any related interest, reserves, and costs of issuance.

To date, Honeywell has worked with the UM to develop a comprehensive economic model of the UMEC Project which was reviewed by both CES and the Celtic Energy. This due diligence indicates preliminary estimates for a total capital investment, including Phase I, could approach $130 million, as noted above. This Phase II will enable Honeywell, working with the UM, to modify the design as appropriate to calculate capital investment costs and resulting returns in order to arrive at the desired outcome most attractive to the UM and to determine the related savings that will be used to support UM’s debt service payments.

With the significant number of projects, including the UMEC Project, in process throughout the UMS, management will continue to assess all estimated project cash flows to determine the best funding options including the most efficient number and appropriate timing of revenue bond issuances. At this time, UMS intends to use interim financing and/or internal resources to fund some or all of the various projects in anticipation of refinancing with future revenue bond issuances over several years to avoid unnecessary financing costs. Those other projects have or will come separately to the FFT for finance approval. The UMS is currently working with a consultant on a Request for Proposals related to interim financing opportunities to support these objectives.

At June 30, 2020, UMS had total outstanding long-term debt of $138 million. Maine Revised Statutes currently limits UMS borrowing authority to $350 million in principal outstanding, making Phase II of the Project well within its authority.

The Finance, Facilities and Technology Committee approved this recommendation to be forwarded to the Consent Agenda for Board of Trustee approval at the January 25, 2021 Board Meeting.

TEXT OF PROPOSED RESOLUTION:
That the Board of Trustees accepts the recommendation of the Finance, Facilities and Technology Committee, and approves the resolution entitled “Reimbursement of Project Expenditures” with respect to financing the University of Maine Energy Center Project (the UMEC Project).

Attachments:
UMEC Reimbursement of Project Expenditures Resolution
AIS Energy Project Phase II Approval Request – Approved 3/25/2019

1/14/2021
RESOLUTION OF THE TRUSTEES OF THE UNIVERSITY OF MAINE SYSTEM

REIMBURSEMENT OF PROJECT EXPENDITURES

Be it resolved that, for purposes of U.S. 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), such expenditures to be made to pay the cost, or a portion of the cost, of planning, design, acquisition, construction, reconstruction, improvement, renovation, rehabilitation and equipping of the project described below (the “Project”) and (2) that the maximum principal amount of debt to be issued by the University of Maine System for the Project including for reimbursement purposes is One Hundred Thirty Million Dollars ($130,000,000).

PROJECT

University of Maine:

The University of Maine Energy Center Project (the “Project”) is currently expected to consist of a new energy plant constructed at the University of Maine, which will include combined heat and power. In addition to achieving carbon reductions and fiscal benefits, the Project would replace critical steam and electrical infrastructure that has reached or exceeded its useful life.

Upon execution of relevant agreements, Phase II of the Project will commence and include the design work needed to refine and confirm the Project scope and will include financial commitments from the University to the design-builder of the Project. The conclusion of Phase II of the Project will result in a firm fixed price and agreements to be brought to the Board for consideration and approval to commence Phase III of the Project, which is for final design and construction of the Project.

This Resolution shall take effect immediately.

ADOPTED: January 25, 2021
AGENDA ITEM SUMMARY

NAME OF ITEM: Authorizing Chancellor to Conclude Negotiations for Appointment of President, USM

INITIATED BY: Dannel P. Malloy, Chancellor

BOARD INFORMATION:

BOARD POLICY:
204 – Presidents Appointment

UNIFIED ACCREDITATION CONNECTION:
N/A

BACKGROUND:

The University of Southern Maine Presidential Search Committee, chaired by Trustee James Erwin, has conducted a comprehensive national search. Four finalist candidates visited USM and met with many campus and community constituents and members of the UMS Leadership team in the past month. Chancellor Malloy is reviewing the committee and community input and pursuing discussions with a candidate who was favorably received among and across the USM communities and is believed to be the best candidate for appointment as the next USM President.

TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees authorizes Chancellor Malloy to conclude negotiations and execute a contract with the selected candidate to be the next President of the University of Southern Maine with an appointment to begin July 1, 2022.
AGENDA ITEM SUMMARY

NAME OF ITEM: Appointment of Interim President, UMF

INITIATED BY: Dannel P. Malloy, Chancellor

BOARD INFORMATION: BOARD ACTION: X

BOARD POLICY: 204 – Appointments and Responsibilities

UNIFIED ACCREDITATION CONNECTION:
Interim Presidential Appointment with a charge to consider how UMF can use its unique strengths to move forward in UMS’s unified accreditation environment.

BACKGROUND:

Dr. Edward Serna, President of the University of Maine at Farmington, will conclude his service with the University of Maine System on June 30, 2022. Given the short time to the end of President Serna’s appointment, and in order to provide UMF leadership stability for the next two years, Chancellor Malloy recommends the appointment of an Interim President, with the expectation that UMF and UMS will conduct a traditional national search for the next president during the second year of the two-year interim appointment.

Chancellor Malloy is having discussions with an internal candidate who may be willing to serve as Interim President for UMF effective no later than July 1, 2022 for a two-year appointment. The Chancellor seeks the Board’s authorization to conclude discussions and execute a contract for appointment with the selected candidate and introduce the appointee to UMF.

TEXT OF PROPOSED RESOLUTION:
That the Board of Trustees authorizes the Chancellor to negotiate and execute an appropriate two-year presidential appointment for the selected candidate to serve as Interim President of the University of Maine at Farmington, effective no later than July 1, 2022.

04/12/2022