

*University of Central Missouri  
Board of Governors  
Special Plenary Session  
March 30, 2009*

The University of Central Missouri (UCM) Board of Governors convened a special Plenary Session on Monday, March 30, 2009, at 1:00 p.m. in Union 219 on UCM's main campus in Warrensburg, Missouri. Presiding over the meeting from Union 219 was Board President Richard Phillips. Other governors participating in the meeting from Union 219 were Walter Hicklin, Lawrence Fick, Weldon Brady, and Ryan Sanders. Participating by phone were Governors Deleta Williams and Edward Baker. University President Aaron Podolefsky; Vice President Betty Roberts; General Counsel Henry Setser; and Assistant Secretary to the Board Monica Huffman were also present. Others attendees included Dorothy Salsman, Steve Boone, John Merrigan, Larry Ray, Jeff Morris, Russell Helm, Rich Morrell, Michael Sibert, Michael Smith, Ann Pearce, Jeff Murphy, and Sharon Brinton of UCM and Chad Remboldt of Trane and Santanu Nath and Scott Bayles of S&S Engineering, Inc.

**Call to Order**

Mr. Phillips called the meeting to order. He asked for a roll call, which established the presence of all Board members and a quorum to conduct business.

**Energy Performance Contract & Energy Service Company (ESCO) – Tax Exempt Equipment Lease/Purchase Agreement**

Dr. Roberts stated that briefing papers pertaining to an Energy Performance Contract and a tax exempt lease/purchase agreement for the proposed ESCO were sent to the Board prior to the meeting (Attachments) for review. The briefing papers provided background information for both items.

Mr. Hicklin moved that the Board of Governors authorize (1) UCM to enter into contract with Trane U.S. Inc. for an Energy Performance Contract for \$36,107,423; and (2) UCM to enter into a Tax-exempt Equipment Lease/Purchase Financing agreement with Banc of America Public Capital Corp in the amount of \$36,107,423 to provide financing for construction and installation of energy efficiency improvements by Trane U.S. Inc. through an energy performance contract. The motion was seconded by Mr. Fick.

Mr. Phillips called for discussion. Mr. Brady asked if the \$36,107,423 is firm, or a top-end estimate. Dr. Roberts stated that this is a firm figure and was established based on the Investment Grade Audit (IGA) results. She does not expect the ESCO to result in lower costs; however, if this were to happen, any savings would be used to address needed repairs not included in the IGA. Conversely, if for some reason the costs were to be higher, Trane would be responsible for any additional costs. Also, Board approval would be required for any work exceeding the \$36,107,423.

Mr. Brady asked if there is any incentive for Trane to bring the ESCO project in at a lower cost. Dr. Roberts stated that regardless of the contract amount, Trane receives a set percentage (7%) of the contract and nothing more. Additionally, Trane will have to bid some equipment, but many of the subcontract components of the ESCO (e.g. lighting) have been bid and prices defined.

Mr. Brady noted that the facilities study conducted by Aramark in 2007 listed several areas of strength that the ESCO recommends replacing. Dr. Roberts stated that the purpose of the Aramark study and the Investment Grade Audit were different. The Aramark Study determined what could be done now and prioritized the deferred maintenance list. The purpose of the Investment Grade Audit (IGA) was to look for opportunities to create greater efficiencies long term. The two studies had conflicting results because their purposes were different.

Mr. Brady noted that if the ESCO project is approved, the annual deferred maintenance budget will decrease from \$2 million to \$500,000, and asked if this was sufficient to take care of the deferred maintenance items that do not qualify under the ESCO. While the \$500,000 annual deferred maintenance budget would be sufficient for the short term, President Podolefsky stated that this budget will have to be increased in future years to keep up with the rising costs of materials and supplies required for additional maintenance and repairs.

Mr. Phillips asked what UCM's long range borrowing capacity would be given the size of the bond that is needed for the ESCO. Dr. Roberts said that in light of the recent bond for the Student Recreation Center and the pending ESCO bond, UCM may need to be more reserved in taking on any more bonds. She added that much would also depend on the university's ability to fund a project with the appropriate revenue stream required for a project.

Mr. Sanders noted that many of the items under the ESCO have life spans that may end by the time the bond is paid for, at which time the university would incur the added expense of replacement and/or repairs. Dr. Roberts acknowledged Mr. Sanders concern and stressed the importance of the university protecting its interests through preventive maintenance and warranties. Mr. Sanders asked if the university could build a budget for the repair/replacement of items under the ESCO through any extra savings it may realize from the project. Dr. Roberts said an ESCO replacement fund will be established from any additional savings in order to be used for equipment replacement.

Mr. Fick said that the Investment Grade Audit listed some items that are scheduled to be done this summer and asked how this impacts the ESCO. President Podolefsky stated that funds are available now to replace three chillers listed on the IGA. The university will proceed with replacing them under ESCO, which will free up some of the institutional dollars which can then be reallocated to other university priorities.

Mr. Brady asked if given the difficulties that some financial institutions are experiencing, can Banc of America fund a project of this magnitude. Dr. Roberts answered yes.

Mr. Phillips summarized the Board's desire to have reporting processes and procedures in place for the ESCO for future Boards, and; for future Boards to know that this Board believes the ESCO is the best way to manage resources and provide a quality environment for UCM students.

Following the Board's discussion, Mr. Hicklin made a motion calling for the question. The motion was seconded by Mr. Fick and carried with the following roll call vote:

Walter Hicklin	aye	Edward Baker	aye
Deleta Williams	aye	Weldon Brady	aye
Lawrence Fick	aye	Richard Phillips	aye

Mr. Phillips then asked for a roll call vote on the motion to authorize (1) UCM to enter into contract with Trane U.S. Inc. for an Energy Performance Contract for \$36,107,423; and (2) UCM to enter into a Tax-exempt Equipment Lease/Purchase Financing agreement with Banc of America Public Capital Corp in the amount of \$36,107,423 to provide financing for construction and installation of energy efficiency improvements by Trane U.S. Inc. through an energy performance contract. The motion carried with the following roll call vote:

Walter Hicklin	aye	Edward Baker	aye
Deleta Williams	aye	Weldon Brady	aye
Lawrence Fick	aye	Richard Phillips	aye

### **Adjourn**

There being no further business to discuss, Mr. Hicklin moved that the meeting adjourn. The motion was seconded by Mr. Fick and carried with the following roll call vote:

Walter Hicklin	aye	Edward Baker	aye
Deleta Williams	aye	Weldon Brady	aye
Lawrence Fick	aye	Richard Phillips	aye