

**Minutes of the Special Formal Meeting
of the
Oakland University Board of Trustees
October 27, 2005**

- Present:** Chair Penny M. Crissman; Vice Chair Dennis K. Pawley; and Trustees David J. Doyle, Jacqueline S. Long, and Rex E. Schlaybaugh, Jr.
- Absent:** Trustees Henry Baskin, David T. Fischer, and Ann V. Nicholson
- Also Present:** President Gary D. Russi; Vice Presidents John W. Beaghan and Mary Beth Snyder; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi and Assistant Rhonda G. Saunders; and Student Liaison James V. Gammicchia

A. Call to Order

Chair Penny M. Crissman called the meeting to order at 2:05 p.m. in the Auditorium of Elliott Hall of Business and Information Technology.

B. Roll Call

Mr. Victor A. Zambardi, General Counsel and Secretary to the Board of Trustees, conducted a roll call. All of the Board members were present except Trustees Henry Baskin, David T. Fischer, and Ann V. Nicholson. Trustees David J. Doyle, Jacqueline S. Long, and Rex E. Schlaybaugh, Jr. were present via teleconference.

Student Liaison James V. Gammicchia was also present via teleconference.

C. Action Item

Tab 1. Approval to Proceed with a Second Energy Services Agreement

Chair Crissman stated the Approval to Proceed with a Second Energy Services Agreement is the only item on the agenda. She noted it was reviewed and discussed at the September 14, 2005 Board Working Session and the October 25, 2005 Finance, Audit and Investment Committee (Committee) meeting.

Mr. John W. Beaghan, Vice President for Finance and Administration, stated the Second Energy Services Agreement calls for a \$17.6 million investment in energy

infrastructure to be funded through debt financing. He reported the Committee requested additional information on whether the Plant Fund reserves could be a potential funding source for the project, and he referred to a report in the Board materials listing all Plant Fund balances that have been balanced to the financial statements as of June 30, 2005. Based on that report, Mr. Beaghan continued to recommend that the project be funded through debt financing, since minimal discretionary funds are available in the Plant Fund. He noted, for example, that a \$4 million fund within the Plant Fund was set up by the Board as a quasi-endowment, and its investment income is used in the annual deferred maintenance budget that generates \$200,000 a year, depending on interest rates.

Mr. Beaghan presented the following recommendation for Board approval:

RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration to negotiate and execute a contract(s) with Chevron Energy Services and/or other designers and contractors for energy-related projects; and, be it further

RESOLVED, that the contract(s) shall not exceed \$17,668,188 in total; and, be it further

RESOLVED, that the contract(s) shall be reviewed by the Office of the General Counsel prior to execution, and shall be in compliance with the law and University policies and regulations and shall conform to the legal standards and policies of the Board of Trustees; and, be it further

RESOLVED, that the Vice President for Finance and Administration will evaluate and execute a debt plan to finance this project with an amortization period of not more than twenty years, serviced by redirecting energy savings and existing debt service budgets; and, be it further

RESOLVED, that the project begin immediately by utilizing bridge funding for the project, which shall be borrowed from existing internal University resources (without financing costs) to be repaid upon issuance of external debt approved by the Board of Trustees.

Trustee Schlaybaugh expressed support for this project, but commented that if the debt financing reliance was reduced the University could potentially save well over \$200,000 a year in interest costs to be used in a similar way that the deferred maintenance quasi-endowment is currently used. He stated that given the State's economic situation and the uncertainty of State funding, the University should not extend itself through debt financing when there may be available resources within the University to help pay for this project. He proposed that the Board continue to fund the project on an interim basis using bridge funding, and to only permit external debt in an amount approved by the Board.

Trustee Schlaybaugh explained for Trustee Pawley that the \$4 million was generated from excess funds received and set aside in the Plant Fund by the University so that the interest could be used for deferred maintenance, while the fund itself is designated for maintenance and repair. He added the spending amount is not restricted to \$200,000, and it could be increased.

President Gary D. Russi concurred with Trustee Schlaybaugh's analysis and reiterated that if the money were applied to this project, the debt service required to service the bond would be low enough that the University could potentially recover the \$200,000 or more to be used for deferred maintenance. Trustee Schlaybaugh added that over time the Plant Fund could be replenished; however, he is not comfortable with financing 100% of the project through external debt. He noted the financing plan needs to be thoroughly examined before that determination is made.

Trustee Pawley commented that, although he believes the Board supports the proposal, the financing options should be further reviewed by the administration and reported back to the Committee. Trustee Schlaybaugh proposed a friendly amendment to the last resolved clause that the financing shall be repaid in a manner approved by the Board.

Mr. Beaghan stated that while a financing plan is being formulated the project can be funded from the bridge financing.

After some discussion, and discussion of a friendly amendment, the following resolutions were proposed:

RESOLVED, that the Vice President for Finance and Administration will evaluate and present to the Board of Trustees for its consideration and approval a debt plan to finance this project with an amortization period of not more than twenty years; and, be it further

RESOLVED, that the project begin immediately by utilizing bridge funding for the project, which shall be borrowed from existing internal University resources without financing costs.

Trustee Pawley moved, seconded by Trustee Long, approval of the amended motion.

Trustee Pawley thanked the Chevron and University representatives for identifying the University's long-needed infrastructure needs and for preparing such a comprehensive plan. He commented that the University should pay closer attention in the future to infrastructure needs.

Chair Crissman stated this project does not require any tuition increases or cost to the General Fund budget. On behalf of the student body, Student Liaison James V. Gammicchia expressed gratitude that this initiative will not impact tuition.

Mr. Beaghan stated that, upon Board approval, this project will be reported to the Joint Capital Outlay Subcommittee in Lansing, since they must be advised of all projects over \$1 million. He added that progress updates will be included in the Treasurer's Report on the capital projects list. Trustee Pawley also requested that biannual progress reports be presented to the Committee.

Chair Crissman requested that copies of the amended recommendation be forwarded to the Board.

The motion, as amended, was unanimously approved by those present.

D. Adjournment

Chair Crissman adjourned the meeting at 2:22 p.m.

Submitted,

Approved,

Victor A. Zambardi
Secretary to the Board of Trustees

Penny M. Crissman
Chair, Board of Trustees