Trustee Fournier, Chair, called the meeting to order and welcomed everyone.

**Financial Update.** Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, provided a financial update on the following items.

**Endowment, Pension and Operating Cash Funds**
The Managed Investment Pool has returned 4.8% for the month of July 2010 and the market value of the Fund is $154.6 million as of the end of July 2010. The Pension Fund has returned 4.4% for the month of July 2010 and the market value as of the end of July is $43.6 million. The Operating Cash Fund has returned .9% for the month of July 2010 and the market value of the Fund is $188.4 million as of end of July 2010.

**Curtailment**
The governor reduced the total amount of the curtailment from $100 million to $23 million, so the UMS’ share of that curtailment goes down from $8.4 million to $1.9 million.

**Structural Gap Analysis**
Ms. Wyke said her office is currently updating the structural gap analysis as part of the five-year financial plan and will present it to the Board at the November meeting.

**Biennial Request for 2012-2013.** Ms. Wyke stated the FY2012-2013 Biennial Request was developed to address Maine’s most important educational and economical needs. If fully implemented, this request would provide the resources necessary for the University of Maine System to help improve Maine’s economy and the quality of life of its people through education, research, and outreach, as well as support affordability for students.

The biennial request seeks a $7.1 million (4.0%) increase in its FY2012 base budget and an additional $7.4 million (4.0%) increase in FY2013 for current operations. These funds would help continue the current level of System operations; furthermore, they would complement the cost-containment measures that the System has adopted and hold tuition and fee increases to modest levels during the biennial period.

In addition to the funding request to maintain current services, the System also requested additional MEIF funds to attract increased non-state funding and to enhance research capacity in the State’s seven strategic economic areas. The funds will be used to further advance and
expand R&D efforts within the University System and thereby continuing momentum of this highly successful program and its impact on Maine’s economic development. The Chancellor requested Board approval to seek the following funding:

<table>
<thead>
<tr>
<th></th>
<th>FY2012</th>
<th>FY2013</th>
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<tbody>
<tr>
<td>Current Operations</td>
<td>$7,100,000</td>
<td>$7,400,000</td>
</tr>
<tr>
<td>Maine Economic Improvement Fund</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
</tr>
<tr>
<td><strong>Total Annual Incremental Biennial Request</strong></td>
<td><strong>$8,100,000</strong></td>
<td><strong>$8,400,000</strong></td>
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</table>

Trustee Murphy asked about the strategy for approaching the Legislature and whether the System had received any feedback as a result. Ms. Wyke said the strategy is to connect declining State Appropriations to higher tuition rates. She said no feedback has been received because it will be the next governor who will decide what to include in the budget.

On a motion by Trustee Murphy, which was seconded by Trustee Hood, the Committee agreed to forward the recommendation to the Consent Agenda.

**FY2010 Annual Report of Gifts and Fund Raising.** Ms. Wyke explained the FY2010 Annual Report on Gifts and Fund Raising. Board policy in the area of Financial Affairs requires Board acceptance of all gifts, donations and bequests. All gifts received fulfill the policy requirements of the Board of Trustees and follow the intent of the donors. Highlights from the report are:

- The UMS received cash gifts totaling $16.8 million during FY2010, with the largest contribution of 36% coming from University Foundations, 22.6% or $3.8 million was restricted for facilities related projects and 19.1% or $3.2 million was restricted for student financial aid.
- At June 30, 2010, the market value of UMS endowed and non-endowed gift balances was $135.5 million, an increase of $7.7 million or 11.6% compared to the prior year end balance.

Significant gifts include:

- UM received a $2.8 million unrestricted bequest from the Arthur and Helen Thayer Joint Trust.
- The Correll Family Foundation pledged $2 million to fund one chair, one professorship, six graduate student fellowships and to provide additional unrestricted support at UM.
- UMA Library Fund received a $50 thousand bequest from the Estate of Bennett D. Katz.
- USM received $1.6 million in support of USM’s property buildings and equipment, with $1.5 million or 95% coming through the USM Foundation.
- USM received gifts and pledge payments for student financial aid totaling $365 thousand and support for USM’s academic divisions totaled $451 thousand.
- UMS received over $20 thousand in gifts in memory of Chancellor Robert L. Woodbury. An endowed scholarship fund was established in his memory with earnings to be used for scholarships for undergraduate students attending any campus within UMS.

On a motion by Trustee Murphy, which was seconded by Trustee Hood, the Committee agreed to forward the recommendation to the Consent Agenda.

**Acceptance of Fort Kent Armory – UMFK.** Ms. Wyke explained the request from UMFK to accept the transfer of ownership of the Fort Kent Armory from the Military Board. The Maine Legislature passed LD 1759, Resolve, To Transfer Ownership of the Fort Kent Armory from the
Military Bureau to the University of Maine at Fort Kent. The bill was signed by the Governor on April 14, 2010. The Fort Kent Armory is on an approximately 2.78 acre site that borders the UMFK campus. The land where the armory is situated used to be part of the land that made up the Madawaska Training School (which evolved into UMFK) until it was subdivided to create an armory in 1955. There are three structures on the property; the armory building and two storage buildings.

The Resolve authorizes the Adjutant General to transfer the land and buildings constituting the Fort Kent Armory to the University of Maine at Fort Kent through a quitclaim deed. The University of Maine System is required to make $150,000 in debt payments, payable in five (5) annual installments. As part of the Resolve, the System was appropriated $30,000 to cover the current fiscal year debt payment. The System will request appropriation in the FY2012-13 and the FY2014-15 biennia to cover the remainder of the debt service payments.

The Resolve also provided that the University agrees to indemnify and hold harmless the State from all claims including environmental cleanup costs that may arise. UMFK hired Summit Environmental to conduct a Phase I Environmental Site Assessment, Property Condition Assessment, and provide a winterization and building stabilization plan for the main building.

Results of the environmental assessment identified asbestos-containing building materials normally associated with buildings of this era, lead contamination normally associated with former firing ranges, and soil staining from petroleum products near the vehicle maintenance garage. None of these identified environmental issues are expected to be overly costly and UMFK will include the cleanup of these items as part of any planned future renovation prior to use.

The armory building has not been used for several years and the heating system was deactivated by the Military Bureau resulting in damage to the roof drain system. Results of the Property Condition Assessment identified the following critical systems that need to be immediately restored: replacement/repair of roof drain system and installation of a heating system (permanent or temporary).

UMFK plans to reactivate the core building system to preserve the building until it may be renovated for use and does not expect the cost to exceed $90,000.

Trustee Johnson asked where the System is going to get the additional funds to finance the cleanup, renovation and debt payments on the building. President Hess said that UMFK has some resources available and they are making a request to the Legislature to appropriate funds for the debt payments. In the short term, he said they just want to get it winterized and the proposed long-term use will likely be University and community joint projects. Trustee Mitchell asked whether the armory was in the flood zone and what the approximate cost of current cleanup would be. President Hess said part of the armory had minor flooding in 2008, and the cost of cleanup was quoted at $90,000, which includes asbestos removal.

Trustee Murphy asked whether the project could be postponed. President Hess said the danger in postponement is that the building could deteriorate further in the interim. Ms. Wyke said the System Facilities Office financed studies to determine the extent of the work needed, and there are a number of options to finance the cleanup and renovations. President Hess said in the long term, financing for daily maintenance will be provided in part with a revenue stream associated with the use of the building.
On a motion by Trustee Mitchell, which was seconded by Trustee Hood, the Committee agreed to forward the recommendation to the Content Agenda.

**Increased Authorization UM Stewart Commons: Studio Art/New Media Complex.** Ms. Elaine Clark, Executive Director of Facilities at UM, explained that Board authorization is required to increase the funding level of the UM Stewart Commons: Studio Art/New Media Complex renovation project to $3,719,962, resulting in a total project budget of $9.3 million, with additional funding coming from campus funds/energy savings and general obligation bonds. The Board of Trustees authorized $5,581,250 for the University of Maine to renovate Stewart Commons for Studio Art programs and New Media Complex in July of 2009. This renovation is a key part of the plan to expand high demand academic programs. UM hired Bruner/Cott Architects to develop a feasible design for the facility. Bruner/Cott analyzed current building codes and conducted extensive field work to better understand Stewart Commons’ structural integrity, accessibility, ventilation, life safety systems, and electrical service. The original funds for this project were provided by the Maine Technology Institute (MTI) grant.

A March 2010 report from the architect indicated that Stewart Commons requires more extensive rehabilitation than originally anticipated. Highlights of deficiencies identified by Bruner/Cott Architects that should be addressed in the planned renovation include: improve building structure; accessibility issues; upgrade electrical, distribution and lighting systems; replace ventilation the roof; and window replacements and improve fire protection.

In April 2010, Bruner/Cott Architects provided a full cost model for the Stewart Commons renovation that includes the improvements identified in the feasibility study. They calculated the construction budget at $6.8 million and the total project at $8.8 million.

Also, in the interim between the 2009 Board approval and Bruner Cott’s reports, UM learned that Stewart Commons will require additional remediation. Remediation adds another $630,000 to the project, bringing the total to approximately $9.3 million. Design is continuing for construction to start in June, 2011 and an expected completion in August, 2012. The sources of funds are as follows:

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>MTI grant to new Media</td>
<td>$3,690,000</td>
</tr>
<tr>
<td>Additional funds from SSI</td>
<td>100,000</td>
</tr>
<tr>
<td>2007 State bond</td>
<td>1,450,011</td>
</tr>
<tr>
<td>Gift, Bank of America</td>
<td>761,201</td>
</tr>
<tr>
<td>Campus funds/energy savings</td>
<td>2,300,000</td>
</tr>
<tr>
<td>2010 State bond</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$9,301,212</strong></td>
</tr>
</tbody>
</table>

Trustee O’Leary asked whether the building meets code. Ms. Clark said it did not, and some of it would need to be strengthened. Trustee Goodman asked whether this would be the final request for funds to complete this project, and Ms. Clark assured him it would. Trustee Baker asked whether they have considered totally demolishing building and starting over, and Ms. Clark said that had been studied, but it would be more expensive.

On a motion by Trustee Mitchell, which was seconded by Trustee Hood, the Committee agreed to forward the recommendation to the Content Agenda.
**University of Maine Landfill Gas Project Development.** Ms. Janet Waldron, Vice President for Administration and Finance, made the request that the University of Maine, on behalf of the University of Maine System, enter into a 20 year Landfill Gas Supply and Development Agreement with Casella Waste System for the delivery of Landfill Gas to the UM Central Steam Plant.

Vanderweil Power Group, a prominent national company known for their energy and engineering expertise, conducted an extensive study of the UM’s energy and infrastructure delivery systems. This included the Central Steam Plant, steam supply and condensate return piping distribution systems, and electrical substations and distribution systems. Vanderweil’s November 2009 report validated the importance of the steam plant as core to the campus’ energy delivery system, and contained many recommendations including the retrofit of the Central Steam Plant to burn Landfill Gas, if available.

Casella Waste Systems, Inc. (CWS) is the operator of the Juniper Ridge Landfill (JRL) in west Old Town, and has rights to the gas that is produced through the natural process of municipal solid waste decomposition in the landfill. In late 2008, CWS approached UM regarding a prospective 20 year arrangement for supplying the landfill gas (LFG) to UM’s Central Steam Plant in order to serve a significant portion of UM’s thermal energy demand. UM began negotiations with Casella first to produce a non-binding term sheet establishing parameters for contract negotiations. This Term Sheet was signed in February of 2010.

Negotiations for the Landfill Gas Supply and Development Agreement for a contract for a 20 year supply of landfill gas are in the process of being finalized.

The arrangement would include a pipeline from JRL to the UM’s Central Steam Plant on College Avenue in Orono. CWS (or its Assignee) would be responsible for the installation, operation, and maintenance of the pipeline and associated equipment up to the delivery point at the Central Steam Plant. CWS would also be responsible for paying the cost to construct and install the pipeline, some of which would be recouped through the Landfill Gas price over the term of the Agreement. The pipeline route would be approximately 6 miles from JRL to UM. The City of Old Town has been supportive of the project.

Following the execution of the Agreement for the delivery and purchase of landfill gas, which has been referred to as Phase 1, UM and CWS have agreed to continue negotiations regarding Phase 2, which would be a cogeneration facility located on the east side of campus fueled by landfill gas that serves as a complement to this original agreement. Phase 2 will be subject to a separate contract and negotiations, and again is expected to result in additional savings beyond those contained from Phase 1.

Landfill gas is a renewable energy source, and greenhouse gas emissions accounting methods consider LFG carbon neutral. Realization of this project would reduce UM’s carbon footprint by approximately 30,000 metric tons annually, a greater than 40% decrease from its current emissions. This reduction assists UM in meeting our targets under the President’s Climate Commitment. As a result of this agreement, significant savings over natural gas may be realized (number to be determined pending final discussions). A significant spike in fuel prices, as experienced two years ago, would result in increased savings.

UM’s negotiations have given great attention to ensuring the proper protections governing the delivery, receipt, intentional, or unintentional disruption of the landfill gas, again recognizing full
compliance with federal, state, and local regulatory and environmental parameters. Prior to accepting Landfill Gas, UM will undertake a review process for licensing and permitting, including obtaining a modified air emissions license for the Central Steam Plant. UM also expects to work as appropriate with the JRL Advisory Committee, the City of Old Town, and the Town of Orono. UM would like to have LFG available for the FY2012 heating season.

Trustee Murphy asked what Casella Waste Systems was getting out of this project. Ms. Waldron said UM was paying them for the gas which would otherwise be wasted. Casella was building and maintaining the pipeline and retrofitting boilers to run on landfill gas. Trustee Johnson asked how long is the contract for a fixed gas price. Ms. Waldron said 20 years.

On a motion by Trustee Murphy, which was seconded by Trustee Goodman, the Committee agreed to forward the recommendation to the Content Agenda.

**UMA College Center/Dental Health Program Renovation.** University of Maine at Augusta President, Allyson Handley, stated that the UMA is requesting approval of the Board to proceed with a renovation project for the Bangor Campus College Center building. The renovations to the College Center will provide improved space for the University’s Dental Health programs and Dental Health Clinic. The renovation cost, including the purchase of new equipment for the dental clinic, is estimated to be $3.0 million dollars.

For the past few years UMA has been working with an architect, David Merritt, to conduct both a feasibility study of the facility and create the design and construction plans for the renovations to a building on the Bangor campus in order to house the Dental Clinic and academic program.

The Dental Health program is presently located in Lincoln Hall, an 11,000 square foot building which no longer meets the Dental Program’s expanding needs. Lincoln Hall is one of the least energy-efficient buildings on the Bangor campus. The Dental Clinic no longer meets current health and privacy standards and the equipment, which has been in place for more than thirty years, is failing.

The plans call for a complete renovation of the UCB College Center, a 14,000 square foot building located at the center of UMA’s Bangor campus, to create a modern 24-chair dental clinic, two teaching classrooms equipped with state of the art teaching technology and videoconferencing, a dental laboratory and prep room, a spacious waiting area for patients, offices for Dental Health programs’ faculty and staff, storage, and changing/locker rooms for the Dental Health program students. A new roof, HVAC system, and new windows will achieve significant energy savings and will result in reduced campus operating expenses.

The University plans to purchase 24 new dental chairs and related cabinetry and equipment as a part of the $3 million dollar project. The Dental Health faculty and staff have raised $750,000 from external sources to help fund the renovation and equipment costs. They will continue to pursue external funding to help cover the project costs. The project is expected to be completed in time for the beginning of classes in fall 2011. Funding for the $3,000,000 project will be as follows:

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCOF Federal Funds (approved in 2009)</td>
<td>$ 643,500</td>
</tr>
<tr>
<td>Davis Family Foundation</td>
<td>25,000</td>
</tr>
<tr>
<td>Stephen and Tabitha King Foundation</td>
<td>50,000</td>
</tr>
<tr>
<td>2010 State Bond</td>
<td>375,000</td>
</tr>
</tbody>
</table>
Campus E&G funds          1,906,500
Total                     $ 3,000,000

On a motion by Trustee Murphy, which was seconded by Trustee Goodman, the Committee agreed to forward the recommendation to the Content Agenda.

**Report on Real Estate and Lease Activity.** Ms. Wyke discussed the summary of real property acquisition, disposition and lease activity between July 1, 2009 and June 30, 2010.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk