University of Connecticut
DigitalCommons@UConn

Agendas and Minutes | Board of Trustees

5-7-2003

Minutes May 7, 2003

Follow this and additional works at: http://digitalcommons.uconn.edu/bot_agendas

Recommended Citation
"Minutes May 7, 2003" (2003). *Agendas and Minutes.* Paper 19.
http://digitalcommons.uconn.edu/bot_agendas/19

This Article is brought to you for free and open access by the Board of Trustees at DigitalCommons@UConn. It has been accepted for inclusion in Agendas and Minutes by an authorized administrator of DigitalCommons@UConn. For more information, please contact digitalcommons@uconn.edu.

MINUTES OF THE MEETING OF THE BOARD OF TRUSTEES
UNIVERSITY OF CONNECTICUT

AGENDA

University of Connecticut
Merlin D. Bishop Center
Storrs, Connecticut

May 7, 2003

OPEN SESSION

Call to order at 9:00 a.m.

The meeting was called to order at 9:05 a.m. by Chairman Roger Gelfenbien. Trustees present: Louise Bailey, Philip Barry, Michael Cicchetti, Linda Gatling, Christopher Hattayer, Lenworth Jacobs, Claire Leonardi, Michael Martinez, Frank Napolitano, Denis Nayden, and Richard Twilley.

Trustee who participated by telephone were: James Abromaitis, Bruce Gresczyk, David O'Leary, and Richard Treibick, and Brenda Sisco, who represents the Governor's Office.

Trustees absent were: Theodore Sergi.

University Staff present were: President Austin, Chancellor Petersen, Vice Chancellor for Business and Administration Dreyfuss, Vice Chancellor for Academic Administration Maryanski, University Architect Schilling, Assistant Attorney General Shapiro, Assistant Attorney General McCarthy, Dr. Schurin, Faculty Senate Representatives Gregory Anderson and Kent Holsinger, Mr. Derek Dahlen and Mr. Steven Sandman from Dahlen, Berg & Co., Mr. Frank Cleary from Pullman & Comley LLC, and Ms. Locke.

All actions taken were by unanimous vote of the Trustees present.

1. Public Comment

There were no members of the public who wished to address the Board.

2. Chairman's Report

(a) Item requiring Board discussion and approval:

(1) Resolution of the Board of Trustees Authorizing a $75,000,000 Lease-Purchase Agreement to Finance the Heating Plant Upgrade

On a motion by Ms. Leonardi, seconded by Dr. Jacobs, **THE BOARD VOTED** to approve the resolution of the Board of Trustees authorizing a $75,000,000 Lease-Purchase Agreement to finance the Heating Plant upgrade.

Vice Chancellor Dreyfuss noted that the Board received by fax a resolution authorizing the agreement to finance the Heating Plant upgrade. He noted that a revised version was at Trustees' places and that the revisions were not substantive. There were changes in the language referring to securities and providing for participation, which provide for technical language changes only.

The University has proposed to build a combined heat and power plant, which would yield 25 megawatts of electricity. This amount represents approximately 95-98% of the University's projected peak demand for the next ten years. This plant would capture the waste heat in a

generation cycle and use it to produce steam for the central steam plant, which heats most of the buildings on campus. In the summer, through evaporative cooling, it will run chillers, which will provide an additional 6,000 tons of chiller capacity. He noted that prior to UCONN 2000, there was no central air on campus. There were some air-conditioned buildings, which had individual, electrically operated chillers on the roof, the largest of which is the Babbidge Library. Other buildings, primarily older ones, have window units. Under UCONN 2000, all new buildings have been designed and fitted with capacity for central air conditioning powered by centrally generated chilled water.

The University currently has 5,000 tons on line, which was added through UCONN 2000. A thousand tons is contained at a small chiller plant on South Campus. Another 4,000 tons is located in the central power plant. Vice Chancellor Dreyfuss noted that the new plant would go up on what is presently the parking lot next to the central power plant on campus. The estimated cost is $75,000,000, which includes construction, equipment, commission, and permits. It has been determined by the State Bond Counsel and the State Treasurer that this type of financing is permissible under the terms of the UCONN 2000 legislation; therefore, the Board must act on this item as if it were a bond issuance.

Trustee Napolitano asked for more details about the payment schedule for this project.

Vice Chancellor Dreyfuss responded that this project will be paid for from the savings in energy costs that will be realized once the new plant is in operation. He directed Trustee attention to the latest analysis from Dahlen, Berg & Co., which showed that we are currently looking at a $66 million net present value. Vice Chancellor Dreyfuss noted that the payments for the debt will come out of the University's energy budget, which will improve by that much and more. He further noted that the debt service, which is approximately $5.7 million per year, is less than the amount that the University will save on energy, because we are buying the gas once and using it to produce electricity and then using the waste heat to produce heat and air-conditioning.

Trustee Napolitano also asked what were the periods of time for each lease-purchase agreement and how long would the University be in a lease arrangement?

Vice Chancellor Dreyfuss responded that the entire agreement is a lease-purchase that will be paid out in lease payments.

Trustee Nayden asked if the lease-purchase was structured as monthly or annual lease payments. He also asked what was the lease rate that was anticipated.

Vice Chancellor Dreyfuss responded that in the original proposal from Caterpillar Financial several months ago the lease rate was 4.3% that would be paid to a formula on the Treasury bill. He noted that the rate right now on that formula is 3.88%.

Trustee Nayden asked if the administration will fix the actual long-term lease rate after construction or if we will fix the lease rate now.

Vice Chancellor Dreyfuss responded that the leased rate will be fixed now.

Chairman Gelfenbien asked if there was a bid on this project.

Vice Chancellor Dreyfuss responded that the project was competitively bid.

Chairman Gelfenbien noted that there were some questions about the bid when it first came through. He asked for more information on the details and if the issues were resolved.

Vice Chancellor Dreyfuss responded that he thought concerns stemmed from the evaluation of the bid and the different possible sizes of the plant. He noted that one of the bids was slightly more expensive and had a different configuration of the plant. The design had larger turbines from a different manufacturer, which would have required installation of a software throttle on the turbines to program the computers. That bid was rejected, because operating turbines in that capacity would not be as efficient as operating turbines at full load. The proposed bid is sized for 21 plus megawatts and there is an additional generation capacity that comes off of a steam turbine connected to it to reach the capacity of 25 megawatts. He noted that approval from the Connecticut Siting Council would be required and that the administration has been in discussion with the Council.

Trustee Leonardi asked if there were questions about operating the facility afterwards.

Vice Chancellor responded that he anticipated that the University would contract either with a party to this deal or with another entity to operate the Plant, because it is not within the University's realm of expertise.

Trustee Leonardi asked if the administration was going to bid out contracting to manage the Plant after it is built.

Vice Chancellor Dreyfuss responded that that would not be the case. He noted that the original bid included a bid to manage the Plant from Select Energy, but we have not agreed with them on terms yet. If the administration and Select Energy cannot come to terms, then they will invite interest from other parties.

Trustee Leonardi asked if that would be a significant cost that would be in addition to the financing for operation.

Vice Chancellor Dreyfuss responded that it would not be an additional cost, but one that the University would bear anyways as they would be primarily personnel costs.

Trustee Nayden asked if that cost was calculated in the net present value benefit analysis.

Vice Chancellor Dreyfuss responded that it was.

Trustee Leonardi asked if the administration had estimated what that would cost the University in the end.

Vice Chancellor Dreyfuss responded that they had.

Chairman Gelfenbien noted that he remembered the issues, which were whether University personnel would be employed and how many would be required to operate the Plant.

Trustee Berkley joined the meeting at this time.

Vice Chancellor Dreyfuss agreed that that was the issue and responded that 20 employees would be needed to operate the Plant.

Chairman Gelfenbien asked if the calculations that were presented were higher cost figures or were what they estimated it would take.

Vice Chancellor Dreyfuss responded that their calculations represented an estimate. He noted that the personnel costs would not be much different whether we operated it or a third party did.

This is primarily because this type of operation requires stationary engineers who belong to a union and whose wage rates are pre-determined whether they are employed in state service or not.

Chairman Gelfenbien asked if the administration had been discussing with the contractor how many employees it would take to operate the Plant.

Vice Chancellor Dreyfuss responded that they were.

Trustee Nayden asked if there were ongoing negotiations with Connecticut Natural Gas (CNG) and if the administration has made a decision to lock in gas for the long-term or to consider a mixed portfolio or was that still under analysis.

Vice Chancellor Dreyfuss responded that that the issue was still under analysis, but that their intention was to lock it in if they could.

Trustee Nayden noted that this issue was an important one to bring back, because there is a significant cost and a significant risk associated with it. He asked for more details when a final analysis is made.

Chairman Gelfenbien asked about a possible timeframe.

Vice Chancellor Dreyfuss responded that they would come back to the Board in six-to-nine months.

Chairman Gelfenbien asked that he report back to the Board before the end of the calendar year.

Trustee O'Leary noted that CNG is a client and asked to abstain from voting.

Trustee Cicchetti asked if any of the gas would be renewable.

Vice Chancellor Dreyfuss responded that it has not been part of the discussion. He noted that they have been in talks with CNG and that the other possibility would be to deal directly with Algonquin Gas, which has a pipeline nearby.

Trustee Twilley asked about the financial strength of Caterpillar Financial and if it was a common arrangement for a company who sells equipment to also offer a lease agreement.

Vice Chancellor Dreyfuss responded that Caterpillar Financial is a solid company and they do enter into these types of arrangements often. He noted that the University was under no obligation to do business with them. The administration looked at other financing alternatives and entertained other offers, but they presented an extremely competitive offer after the bidder was picked. Vice Chancellor Dreyfuss also noted that Caterpillar is the world's largest supplier of packaged energy installations, primarily in oil fields, where there is no local source of power. As part of their operation, they bring in the whole enterprise on a few trucks. They anticipate significant new business in the Middle East.

Trustee Nayden noted that it is quite traditional for a major manufacturer to have a sister finance company that can finance the projects. He also noted that they are a very strong company with competitive rates.

Vice Chancellor Dreyfuss noted that they have hired two firms who have specialty practices in this area and they will be working on the development contract and the subsequent operating contract.

Chairman Gelfenbien asked that Vice Chancellor Dreyfuss provide the Board with an update before the end of the calendar year.

THE BOARD VOTED to approve the resolution. Trustee O'Leary abstained on this item.

Chairman Gelfenbien announced that the Board meeting will recess until after the Academic Affairs Committee meeting. Then, the Board will reconvene.

EXECUTIVE SESSION

On a motion by Dr. Jacobs, seconded by Mr. Cicchetti, **THE BOARD VOTED** to add Executive Session to the agenda.

On a motion by Mr. Cicchetti, seconded by Dr. Jacobs, **THE BOARD VOTED** to go into Executive Session at 11:35 a.m. to discuss a matter concerning pending litigation to which the University is a party, and discussion of a matter that would result in the disclosure of student information protected by federal law and thus exempt from disclosure. The Chairman noted that on the advice of counsel only staff members whose presence was necessary to provide their opinion would be permitted to attend Executive Session.

Trustees present were: Bailey, Barry, Cicchetti, Gatling, Gelfenbien, Hattayer, Jacobs, Leonardi, Martinez, Napolitano, Nayden, and Twilley.

Trustees Abromaitis, Berkley, Gresczyk, O'Leary, Treibick, and Brenda Sisco, who represents the Governor's Office, left the meeting at this time.

President Austin, Vice President Aronson, Vice Chancellor Dreyfuss, Assistant Attorney General Shapiro, Assistant Attorney General McCarthy, Dr. Schurin, Athletic Director Perkins, and Ms. Rachel Rubin were present for this discussion.

Executive Session ended at 12:55 p.m. and the Board returned to Open Session at 12:56 p.m.

3. Adjournment

Chairman Gelfenbien announced that the next meeting of the Board will be the Annual Budget Workshop and Board of Trustees meeting, which is scheduled for Tuesday, June 24, 2003 beginning at 9:00 a.m. at the University of Connecticut, Rome Commons Ballroom (South Campus Complex), Storrs, Connecticut.

There being no further business, the Board meeting adjourned at 12:55 p.m.

Respectfully submitted,

Louise M. Bailey
Secretary