

University of Maine System
Board of Trustees
AGENDA ITEM SUMMARY

NAME OF ITEM: Request for Proposal – Financing Services Award

CAMPUS PRESENTER(S): Tracy Elliott, VP for Finance and Controller

INITIATED BY: Dannel P. Malloy, Chancellor

BOARD INFORMATION:

BOARD ACTION: X

BOARD POLICY:

701 – Budgets, Operating & Capital

712 – Debt Policy

UNIFIED ACCREDITATION CONNECTION: Maximize Financial Resources

BACKGROUND:

The University of Maine System (UMS) recently completed a Request for Proposal (RFP) process for Financing Services. The goal of the competitive process was to ensure that the UMS continues to receive favorable terms and conditions for ongoing capital equipment financing and Energy Services Contracts (ESCOs) with a qualified financial firm. The RFP requested pre-negotiated terms and conditions including:

- A fixed basis point markup above a publicly available index with tax-exempt and taxable financing terms.
- Financing terms of 2 years up to 10 years for capital equipment and up to and including 20 years for ESCOs, not to exceed the useful life of the property.

Based on a careful review and scoring of the proposals, the UMS Sourcing Committee recommends re-awarding the financing agreement to the incumbent, Banc of America Public Capital Corp (a wholly owned subsidiary of Bank of America, National Association (the “Bank”)) (“BAPCC”).

Once approved by the BOT, the UMS will work with the vendor to finalize the Master Equipment Lease/Purchase Agreement and any Terms and Conditions. Additionally, before completing individual financing schedules or agreements, management will seek BOT approvals, as required, for ESCOs and for capital equipment expenditures of \$500,000 or more consistent with BOT Policy Manual section 701 which addresses *Operating and Capital Budgets*.

As stated in its proposal, BAPCC’s Government Finance team is one of the tax-exempt industry’s largest financial solutions providers, with a nationwide presence in the municipal equipment financing realm. BAPCC structures, implements and distributes tax-exempt financing solutions to complement the current and long-term financial strategies of tax-exempt entities.

Further, BAPCC Energy Services is one of the nation's largest providers of tax-exempt, tax credit, and taxable lease purchase and direct placement financial solutions to public sector entities for energy efficiency and renewable energy projects. Their dedicated Energy Services team includes specialties in Transaction Management, Pricing, Contracts, and Legal and they are able to work with customers and ESCOs to model savings cash flows.

Key terms and features of the BAPCC proposal include:

Annual Funding Amount: The line of credit will be in place for one year with annual extensions, if requested, subject to annual credit and annual index pricing review.

Interest Rates: BAPCC uses the Secured Overnight Financing Rate (SOFR) Swaps Index plus a spread determined by the taxable or non-taxable nature of the financing and the lease term. Interest rates are held for 15 business days unless UMS requests a rate lock.

SOFR Defined: SOFR is a benchmark interest rate that measures the cost of borrowing cash overnight using Treasury securities as collateral. It is calculated daily by collecting repo data, averaging it, and publishing the result on the next business day. SOFR is used by financial institutions to set interest rates for other businesses and borrowers.

Rate Lock: UMS may lock rates for up to 180 days. Pricing for rate locks are market sensitive and are available upon request.

Maximum Funding: \$10 million with increased funding amounts available, subject to BAPCC review and approval.

Minimum Schedule Size: Minimum Financing Schedule amount is \$200,000.

Pre-payment for Capital Equipment: Pre-payable in whole and **NOT** in part during the first half of the term of financing at 102% of the principal balance, and thereafter pre-payable at par.

Pre-payment for Energy Transactions: On any periodic rental payment date and following 30 days advance written notice, UMS has the option to prepay its obligations (in whole and **NOT** in part) upon payment of the then-applicable Purchase Price, which will be calculated as 102% of the outstanding principal balance.

One-Time Optional Partial Prepayment: From and after UMS's delivery to BAPCC of the Final Acceptance Certificate, in the event that UMS receives a grant under the Inflation Reduction Act of 2022 for the Equipment (the "IRA Grant"), on a Rental Payment Date specified in the Payment Schedule, upon not less than 30 days prior written notice, UMS may prepay a portion of the Lease/Purchase which shall include a prepayment premium of 1% on the amount of the IRA Grant.

The Finance, Facilities, and Technology Committee approved this item to be forwarded to the July 14-15, 2024 Board of Trustees meeting, for approval of the following resolution:

TEXT OF PROPOSED RESOLUTION:

That the Board of Trustees accepts the recommendation of the Finance, Facilities, and Technology Committee, and authorizes the University of Maine System to execute and deliver the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, as lessor, and separate schedules for the acquisition, purchase, financing and leasing of certain equipment and ESCO agreements pursuant to the negotiated contract terms resulting from Request for Proposal #2024-062; authorizing the execution and delivery of other documents required in connection therewith; and authorizing all other actions necessary to the consummation of the transactions contemplated by this resolution.

Approved by BOT 7/15/2024