

AGENDA ITEM SUMMARY

NAME OF ITEM: Osher School of Music, Steinway Piano Financing, Project and Reimbursement Resolution Authorization, USM

CAMPUS PRESENTER(S): Dr. Jacqueline Edmonson, President; Justin Swift, Chief Business Officer and Tracy Elliott, Vice President for Finance and Administration

INITIATED BY: Dannel P. Malloy, Chancellor

BOARD INFORMATION:

BOARD ACTION: X

BOARD POLICY:

701 – Budgets, Operating & Capital

UNIFIED ACCREDITATION CONNECTION:

N/A

UMS STRATEGIC PLAN CONNECTION:

Commitment 1 –serving the state of Maine, its constituents, and its economy.

Action 3 – statewide leader in degree completion, credentialing, and certification.

Goal 3.1 – deliver degree completion, credentialing, and certification programs that achieve national recognition.

BACKGROUND:

a. Summary of the request

The University of Maine System acting through the University of Southern Maine (USM) requests authorization to finance up to Two Million, Eight Hundred Thousand dollars (\$2,800,000) in pianos and related costs procured for the Osher School of Music.

The Osher School of Music currently has 43 pianos with an average age of 51 years and all are assessed in either fair or poor condition. With the opening of the Crewe Center for the Arts in August, the time is right to replace these pianos. The Osher School of Music, which will reside within the Crewe Center for the Arts, is aspiring to become a designated All Steinway School. This designation will place the Osher School of Music within the top schools of music. This designation will also enable the Osher School of Music to be more competitive in recruiting students and faculty. A criterion to becoming a designated All Steinway School is at least 90% of the pianos must be Steinway. If the Osher School of Music becomes a designated All Steinway School this summer, it will be the 250th institution to do so. The approximate 28 pianos under this proposal include a concert grand piano for the performance hall, pianos for practice rooms, and electronic pianos for group lessons.

b. Overall requested budget and funding source:

The University is requesting authorization to procure and finance up to two million, eight hundred thousand dollars (\$2,800,000) in pianos and related costs for the Osher School of Music. The

UMS plans to finance such project costs using the BOT approved Master Equipment Lease/Purchase Agreement with Bank of America Public Capital Corp (BAPCC or Bank). Further, USM anticipates funding the annual debt service with philanthropy funding. In the event philanthropy funding falls short, USM is prepared to fund the difference with its E&G budget.

c. Confirmation of whether the project was included or reflected in the Master Plan, Long Term capital plan or 1-year capital plan most recently approved by Trustees.

Although this project is not explicitly in USM's Master Plan, it is essential to elevating the Music program to a signature program, enhancing the competitiveness of the Osher School of Music, and strengthening recruitment.

d. More detailed explanation of rationale for project and metrics for success of the project (ROI or other):

With the current inventory of pianos being in fair to poor condition, the Osher School of Music is in a position where it must replace them to remain competitive and meet the expectations of today's music students and faculty. This situation also provides the opportunity for the Osher School of Music to pursue the All Steinway School status. This designation is expected to enable the Osher School of Music to be more competitive in recruiting students and elevates the reputation of the school.

e. Explanation of the scope and substance of the project as needed to supplement (a) and (d) above.

This project will enable the Osher School of Music to address the aging piano inventory while enhancing the reputation and competitiveness of the School. The pianos benefit all students as voice and instrumental students also need pianos.

f. Changes, if any, in net square footage or ongoing operating costs resulting from the project:

The Osher School of Music will increase its annual piano maintenance budget by \$40,000. This covers tuning and other preventative maintenance.

g. Budget for the project and further elaboration on funding source and selection as needed to supplement (b) above):

The project will be financed by a loan with debt service paid through philanthropy funding. In the event philanthropy funding falls short, USM is prepared to cover any shortfall with E&G funds.

h. Alternatives that were considered to meet the need being addressed by this project:

Alternatives considered included keeping and moving the existing inventory. The moving costs from Corthell Hall on the Gorham campus to the Crewe Center for the Arts on the Portland campus would have exceeded the value of the pianos. Moving these pianos into the state-of-the-art Crewe Center for the Arts would have emphasized the poor condition of these pianos and diminished the perception of the investment the University put into this building and program.

i. Timeline for start, occupancy and completion:

If approved by the Board of Trustees during the March 2025 meeting, the order will be placed no later than April with delivery of the pianos in August. This aligns with the opening of the Crewe Center for the Arts and ensures the pianos will be available to students and faculty for the start of the fall semester.

j. Timeline for any further consideration or action anticipated to be needed by the Board or its committees regarding this project if full authority is not being requested from the outset.

N/A – Full authorization is being requested to spend and finance up to \$2,800,000.

k. Official language to facilitate tax-exempt financing and reimbursement of Project expenditures.

This resolution includes the official language to facilitate tax-exempt financing using the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp, as lessor, which the Board approved at its July 15, 2024, meeting. The Lease/Purchase Agreement allows for the acquisition, purchase, financing and leasing of various equipment pursuant to the negotiated contract terms with the Bank.

Further, the University of Maine System requests that the Board approve the Resolution for Reimbursement of Project Expenditures, which will allow the University to use subsequent financing proceeds to reimburse Project expenditures made prior to debt issuance.

The Finance, Facilities and Technology Committee approved this recommendation to be forwarded to the March 10, 2025 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, & Technology Committee and approves the Financing, Project and Reimbursement of Project Expenditures resolution to authorize the University of Maine System, acting through the University of Southern Maine, to fund pianos and related costs with a Project total up to \$2,800,000, using financing with a maximum principal amount of debt of up to \$2,800,000 and declares official intent for System reimbursement from the proceeds of tax-exempt obligations for certain capital expenditures funded by the System prior to the issuance of such tax-exempt obligations.

Attachments:

Reimb Resolution-Master Lease-USM Pianos

Previously Approved AIS - Request for Proposal – Financing Services Award, July 15, 2024