Sustainability Committee Minutes

17 April 2009 Friday

Attending: Joy Charlton, Rebecca Ringle, Carr Everbach (agenda), Nick Buttino (Notes), Nadine Kolowrat

Carr addressed his morning meeting with Suzanne Welsh, Vice President for Finance

In their meeting, Carr and Sue discussed the problem of limited funding for projects that would require significant initial costs but would save resources, carbon, and money in the long run. Carr mentioned an example that might include an ice-making system to replace daytime electricity use for air conditioning with off-peak electricity use to make ice.

A distinction must be made between capital investment funds (to improve the campus) and maintenance (keeping campus going). Carr asked for Sue's input about whether a new funding mechanism might be established to provide the capital <u>only for those improvements that would save annual costs</u>; such a fund could be self-renewing if the savings from the improvements were (partially) plowed back as seed money for the next project(s).

The combined existing capital and maintenance budget is developed by Stu Hain, who apportions it based upon Maintenance needs (Ralph Thayer's budget) and Capital Improvements (Jan Semler's budget).

It was Carr's perception that Ralph gets to see where the waste is happening, but much of it is not part of maintenance. The maintenance budget has not been cut, but for at least the next 2 years, the capital budget has been cut drastically. Sue urged Carr to discuss the operation of these budgets in depth with Stu.

If maintenance is just keeping things together, there is a spectrum from emergency replacements to proactive preventative efforts that reduce waste and/or lower annual maintenance costs. Can capital investments be sustainability related?

Subcategories of Stu's budget include infrastructure, renovations, athletics, but no formal allocation for sustainable paypack, though this is not ruled out. Possibly ask Stu to earmark some fraction of total budget to net-payback projects?

Sue Welsh was supportive of considering a different approach to cost/benefit analysis of projects if the Sustainability Committee had suggestions for improvements. She also discussed the availability of bond financing for all capital projects, including those for sustainability.. However, she pointed out that the College has AAA credit rating, which allows it to borrow at lower cost from the Bond Market. It will be important to maintain this AAA rating, especially if the College issues bonds to build a future building (as it did for the Science Center). In principle, the College could borrow some more money at this lower cost to fund high-return sustainability projects, as long as the aggregate of such borrowing kept us well below the level where our AAA funding would be jeopardized (several million dollars max).

Carr and Sue then discussed the idea of a “sustainability bond” that the College could offer on the public market that would provide the initial capital for projects that would reduce annual costs to the College of about 6% of the original project cost (which is what the yield on the bonds would be). However, it would be difficult for the College to cash out if the savings did not materialize and in any case we would need to pay back the bond holders on schedule.

Someone would need to follow the money in costs forgone (return on investment) and transfer those savings to the bond holders. After the bond is paid off, calculated annual savings would be divided and part paid back to sustainability fund.

Tax-exempt borrowing is lower-cost than borrowing from Swarthmore’s endowment. Due to IRS rules, if we allow alumni to donate to a sustainability fund, we cannot mix donations with bond proceeds.

Can we receive carbon credits for this venture?

A carbon-trading system may be coming locally and nationally, and if it did, we would substantiate carbon reductions to the state/feds and receive documents that we could sell to, say, Sunoco, who would pay us cash.

The purview of the Sustainability Committee is to make recommendations to the president only (who can then bring to the Board of Managers). Thus it would be the job of next year’s committee to work with Ralph, Stu, and Sue, to come up with recommendations for a financing plan for a sustainability fund. Though other schools have such funds, Sue is unaware that any other institution has floated a bond issue just for this purpose.

Furthermore, there would be a possibility to have the project, its financing, and its ongoing carbon credit and cash flow (savings) monitored by someone. Just as construction projects hire construction managers, we could define a job for project manager whose salary would be incorporated into the payback calculation as a cost.

There is a hiring freeze for staff at the College, but this project manager could be a consultant, rather than a College employee. There would remain the perception, however, of added headcount, so that would be a significant challenge to overcome.. Savings from the overall project and the position would have to be compelling and capturable in the current environment.

We discussed the problem of switching College’s culture back to older mode of modest resource consumption from the more recent (1990s) model of high consumption and waste.

Note that while our endowment is down, we are still marginally in a better position than many comparable institutions, so setting up a sustainability fund would be innovative and demonstrate Swarthmore's leadership.

Suggestion to invite Stu Hain to talk to us [later, he agreed, and noted that he'd like to attend more of our meetings in the future].

Next meeting 27 April 2009 Monday -> 11:30am – 12:30 pm Lang Center