

UNIVERSITY OF MAINE SYSTEM  
Board of Trustees Meeting

at the University of Maine System  
May 21, 2007

**Board of Trustees Meeting**

**Present:** Margaret Weston, Chair; Gregory Cyr, James Dowe, Jean Flahive, William Johnson, Chad Marquis, Barry McCrum, Marjorie Medd, Victoria Murphy, Charles O’Leary, and Lyndel Wishcamper. **Absent:** Judith Andrucki, Charles Johnson, Susan Gendron, Paul Mitchell and Wayne Newell. **Chancellor:** Terrence MacTaggart. **Faculty Representatives:** Raymond Albert, Anne Blanke (for Terry Colby), Shallee Page, Kenneth Orosz, and Robert Rice. **Student Representatives:** Brian Clark, Kelly Deprez, Marie Follayttar, and Jeremy Logan. **University Presidents:** Richard Cost, Cynthia Huggins, Theodora Kalikow, Robert Kennedy, Richard Randall, Richard Pattenauade, and Donald Zillman. **Chancellor’s Staff:** James Breece, Tracy Bigney, John Diamond, Kelley Wiltbank, and Joanne Yestramski. **Press and Public.**

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

**Citizen Comment.** Citizen Comment is a time regularly set aside for comments from the public. The following people spoke with the citizen comment period:

Kelly Deprez  
Ron Mosley  
Jim McClymer

Marie Follayttar  
Tamara Saarinen

**Acceptance of Minutes.** On a motion by Trustee William Johnson, which was seconded by Trustee Charles Johnson, the minutes from the following meetings were unanimously approved as presented:

- March 18, 2007 – Ad Hoc Meeting of the Board of Trustees
- March 18, 2007 – Faculty Representatives Meeting with the Trustees & Chancellor
- March 19, 2007 – Student Representatives Meeting with the Trustees & Chancellor
- March 19, 2007 – Committee of the Whole Meeting
- March 23, 2007 – Executive Committee Meeting

**Chair’s Agenda and Report.** Trustee Weston thanked the Trustees who participated in Commencement this year. The UMS had over 5000 students graduate. On behalf of the Board, Trustee Weston, expressed appreciation and thanks to Trustees Andrucki and Cyr for their service and dedication to the University of Maine System. These Trustees have reached their term limit but will remain on the Board until their replacement has been made by the Governor. Trustee Weston also thanked Terrence MacTaggart for his leadership for the past year.

Trustee Weston commented that the critical work at this meeting was the decision on tuition and student fees. Funding the UMS is not always easy while trying to maintain academic quality and accessibility. She further stated we recognize the value of a university education and it is a wise investment. The UMS has been flat funded for the five to ten years from the State. It is not an easy decision for the Governor and Legislators and we appreciate their efforts on behalf of the UMS and the State. The Board will be asked to approve the FY2008 budget which includes a significant tuition increase. In addition the Board will be asked to approve the Chancellor’s proposed Tuition Offset Plan.

**Chancellor's Report.** Chancellor MacTaggart thanked the Board of Trustees for the opportunity to work for the UMS. He also congratulated Trustee Cyr on the ten years of service. He also expressed his thanks and appreciation to the Presidents, System Senior Staff, Faculty and Student Representatives, and the union representatives.

Chancellor MacTaggart distributed the newest version of the UMS marketing materials.

**Committee Reports/Action.**

Academic Affairs and Student Affairs Committees – Trustee William Johnson reported that the Committees met jointly and discussed the Gateways to Higher Education. This document is the first in a series of reports on how the UMS students enter our universities.

Audit Committee – Trustee Dowe reported the Audit Committee met on May 1. KPMG was present at the meeting and reviewed the 2007 Audit Plan and the A-133 Report. The Committee was provided a Risk Management Overview and an Information Security Update. The Committee approved the proposal from KPMG as the external audit services for 2008 thru 2010. The Committee also approved the internal audit services of PriceWaterhouseCoopers for a one year contract.

Finance/Facilities Committee – Trustee Cyr reported that the Committee has met on May 1 and May 21 to discuss the FY2008 Budget and Student Charges. The Committee has come to understand that the required tuition increases are unattractive; therefore, the Committee passed three resolutions. The first resolution was to support the Chancellor's proposed Tuition Offset Plan. The second was to tentatively approve the FY2008 Operating Budget and Student Charges with several conditions and the third was to exclude the Committee's report and recommendations from the Consent Agenda and move it to a separate item for action by the full Board of Trustees. The Committee agreed to forward to the Consent Agenda the Revenue Bond Financing and the Lease of Space at USM.

Human Resources and Labor Relations Committee – Trustee Flahive reported that the Committee agreed to forward to the consent agenda the following Appointments for Trustee Approval:

- Ian R. Bicknell, Professor of Aquaculture with Tenure, UM
- Mark Lapping, Interim Provost and Vice President for Academic Affairs, USM
- John F. Mahon, Dean, College of Business, Public Policy and Health and Director of the Maine Business School, UM
- Reginald Nnazor, Professor of Education with Tenure, UMPI
- Michael Sonntag, Vice President for Academic Affairs, UMPI

The Committee also recommended the ratification of the appointment of Joseph W. Wood as the Interim President at USM.

Investment Committee – Trustee Wishcamper reported that the Investment Committee met on March 23 and will meet again following the Board meeting. The Endowment Fund results for the year ending December 31, 2006 were up 13.1%, approximately \$115 million. The Pension Fund gained 12.1% for the year closing at \$65 million. The Operating Cash Management was up 7% for the year. The Committee reviewed the asset allocation and managers.

**FY2008 Budget and Recommended Student Charges.** Chancellor MacTaggart explained the Tuition Offset Plan. The UMS is struggling to keep rates affordable in the face of increasing costs and the State's declining proportion of higher education's total budget. The University System seeks a new partnership with the State to address the need for high quality, affordable, and accessible universities.

The Governor's biennial budget proposed a \$5 million increase in the University System's FY08 base budget. Although we appreciate his support, should the University System's base budget increase be limited to that amount, tuition would need to increase an average of 12% to meet increases in current expenses such as healthcare, utilities, etc. Such an increase could have serious consequences of higher education aspirations and attainment, and would harm the universities' ongoing efforts to recruit and retain Maine's native sons and daughters.

In response, the University System proposed a \$10.5 million Tuition Offset Plan. Its purpose is to partner with State policymakers to protect quality and affordability for students and their families.

### **Tuition Offset Plan**

The Tuition Offset Plan is built on three elements:

- Additional cuts in the University System's administrative and operational costs
- Additional State funding above the \$5 million increase proposed by the Administration
- A new financial aid package targeting students with the greatest financial need

<b>Initiative</b>	<b>Amount</b>	<b>Explanation</b>
Administrative Costs	\$2.5 million	The University System would cut its System-wide administrative costs by an additional \$2.5 million (on top of the \$2.7 million cut by Chancellor MacTaggart in 10/06) and allocate those savings to reducing the projected tuition increase.
State Appropriations	\$6 million	The State would increase the University System's FY08 base budget by \$6 million more than the Governor's budget proposal. These funds would be used to reduce FY08's projected 12 percent tuition increase.
Financial Aid	\$2 million	The University System would dedicate an additional \$2 million in student financial aid to assist low- and middle-income students whose financial aid package still falls short of their actual need.

**These three initiatives would cut the projected 12% tuition increase to 7% for FY08.**

On a motion by Trustee Charles Johnson, which was seconded by Trustee Flahive, the Board of Trustees approved the following resolution in support of the Tuition Offset Plan. The vote was unanimous.

#### Resolution

Whereas the University of Maine System Board of Trustees has a fiduciary responsibility to provide high quality, affordable, and accessible academic programs and services at the undergraduate and graduate levels; and

Whereas the University of Maine System Board of Trustees is also responsible for ensuring that Maine's public universities serve the diverse interests of Maine as a partner and resource through education, research, and public service outreach; and

Whereas State funding of the University of Maine System over the past 18 years has failed to keep pace with the University System's growth in enrollment, economic engagement, and service to the people of Maine; and

Whereas, State policy-makers currently are deliberating the University of Maine System's level of State appropriation for the FY2008 budget year; and

Whereas, the Governor's original budget proposal seeks a \$5 million increase in funding for Maine's public universities in FY2008; and

Whereas, State appropriations and student charges are the two largest variables in the University System budget calculation; and

Whereas, the Board of Trustees views student tuition as the "revenue source of last resort" when preparing its annual budget; and

Whereas, the University of Maine System has adopted cuts, efficiencies, and cost-reductions in an effort to contain its expenses; and

Whereas, despite those cost-containment measures and the Governor's proposed \$5 million increase for FY 2008, projected expenses would necessitate an average tuition increase of 12.6% to balance the University System's FY2008 budget; and

Whereas, Chancellor MacTaggart has proposed to State legislators a "Tuition Offset Plan" to reduce tuition rates; and

Whereas the Tuition Offset Plan seeks to increase the FY2008 State appropriation by as much as \$6 million beyond the Governor's proposed level; and

Whereas, full adoption of the Tuition Offset Plan would provide enough revenue to balance the University System budget with a much smaller, 7% tuition increase for FY2008; and

Whereas, any increase beyond the Governor's proposed funding level would produce a counterbalancing reduction in student tuition rates; and

Whereas such an increase in State appropriation would provide both short-term and long-term educational and economic benefits to Maine and its people; therefore

Be it known that we, the University of Maine System Board of Trustees respectfully but strongly appeals to Maine's legislature and Governor to adopt the Chancellor's Tuition Offset Plan in order to reduce tuition increases and sustain academic quality; and furthermore,

Be it known that, should the Legislature and Governor approve some or all of the Tuition Offset Plan, the University of Maine System will immediately reduce the tentative tuition rate set on May 21, 2007 to the lowest level necessary to balance the FY2008 budget and sustain academic quality.

On a motion by Trustee Cyr, which was seconded by Trustee Medd, the Board of Trustees approved the FY2008 Operating Budget and Student Charges under the following conditions: If the State's FY2008 appropriation fails to exceed the \$5 million increase initially proposed by the Governor, the weighted average tuition and fee increase will be set at 12.6% for FY2008, the lowest rate necessary to ensure academic quality. However, should the State appropriation exceed the Governor's proposal, the Chancellor is authorized to recalculate and lower the tentative tuition increase to the extent that the FY2008 UMS budget is balanced without jeopardizing the quality of academic programs and services. The vote was unanimous.

**Consent Agenda.** On a motion by Trustee McCrum, which was seconded by Trustee O'Leary, the following recommendations were unanimously approved by the Board.

**Election of Board Officers.** The Board of Trustees approved the Board of Trustees slate of officers for 2007-2008 – Trustee Margaret Weston as Chair and Trustee Barry McCrum as Vice Chair.

Resolution for Exclusion of Certain Directors or Officers. The Board of Trustees approved the Resolution for Exclusion of Certain Directors or Officers as follows:

Resolution

**Whereas**, current Department of Defense directives contain a provision making it mandatory that the Chair of the Board and all principal officers (such as President, Senior Vice President, Secretary, Treasurer, and those occupying similar positions) meet the personnel security clearances requirements established for a contractor's facility security clearance; and

**Whereas**, said Department of Defense Regulations permit the exclusion from the personnel clearance requirements of certain members of the Board of Trustees and other officers, provided that this action is recorded in corporate minutes.

**Now Therefore Be it Declared** that the Chair of the Board, at least an official quorum of the Board of Directors (the executive committee of six members of the Board of Directors), and all principal officers (such as, President, Senior Vice President, Secretary, Treasurer, and those occupying similar positions) at the present time do possess, shall be excluded from or shall be processed for, the required security clearance; and

**Be It Resolved** that in the future, when any individual enters upon any duties as Chair of the Board, as a replacement for one of the cleared quorum of the Board, or as one of the principal officers of this corporation (such as President, Senior Vice President, Secretary, Treasurer, and those occupying similar positions), unless excluded such individual shall immediately make application for the required security clearance; and

**Be It Resolved Further** that the following members of the Board of Trustees and other officers shall not require, shall not have, and can be effectively excluded from access to CLASSIFIED information in the possession of the University and do not occupy positions that would enable them to affect adversely University policies of practices in the performance of classified contracts for the Department of Defense or the User Agencies of its Industrial Security Program: Judith W. Andrucki; Gregory G. Cyr; P. James Dowe; Jean M. Flahive; Susan A. Gendron; Charles L. Johnson III; William D. Johnson; Chad Marquis; Barry D. McCrum; Marjorie Murray Medd; Paul J. Mitchell; Victoria M. Murphy; Wayne A. Newell; Charles J. O'Leary; Margaret A. Weston; Lyndel J. Wishcamper; Chancellor, Terrence J. MacTaggart (until June 30, 2007); Chancellor, Richard Pattenaude (effective July 1, 2007); Chief Financial Officer and Treasurer, Joanne L. Yestramski; and Clerk of the Board, J. Kelley Wiltbank.

Confirm Faculty and Student Representatives to the Board of Trustees. The Board of Trustees approved the appointments of the Faculty and Student Representatives to the Board of Trustees, as presented.

Confirmation of Boards of Visitors. The Board of Trustees confirmed campus Board of Visitor appointments, as presented.

Revenue Bond Financing. The Board of Trustees approved the Financing and Project Authorization resolution as follows:

Resolution

**FINANCING AND PROJECT AUTHORIZATION**

WHEREAS, the Board of Trustees (the "Board") of the University of Maine System (the "System") desires to authorize the System to finance all or a portion of the costs of, and to undertake, the projects which are more particularly described in the Addendum attached hereto and incorporated herein by reference (the "Projects"); and

WHEREAS, the Board desires to authorize the issuance of University of Maine System Revenue Bonds (the "Project Bonds") and the sale of the Project Bonds for the purposes of financing all or a portion of the costs of the Projects and providing for any necessary capitalized interest, reserves and costs of issuance; and

WHEREAS, the Board desires to authorize the issuance and sale of University of Maine System Notes or other evidences of indebtedness in anticipation of Project Bonds (the "Project Notes"); and

WHEREAS, it may be advantageous to refund certain of the University of Maine System Revenue Bonds which were issued prior to the date of this resolution (the "Prior Bonds"); and

WHEREAS, the Board desires to authorize the issuance of University of Maine System Revenue Bonds (the "Refunding Bonds" and, collectively with the Project Bonds and the Project Notes, the "Bonds") and the sale of the Refunding Bonds for purposes of refunding the Prior Bonds, including payment of or provision for any redemption premium, and providing for any necessary reserves and costs of issuance; and

WHEREAS, the System is authorized to issue the Bonds pursuant to the provisions of 20-A MRSA §§10952, 10953 and 10959, as amended; and

WHEREAS, the Board finds that the financing of all or a portion of the costs of the Projects and the refunding of the Prior Bonds constitute "assured revenue financing transactions" pursuant to the provisions of 20-A MRSA §10953, as amended; and

WHEREAS, pursuant to 20-A MRSA §10952(8), as amended, the System, as authorized by the Board, is authorized to make, enter into, execute, deliver and amend any and all contracts, agreements, leases, instruments and documents and perform all acts and do all things necessary or convenient to acquire, construct, reconstruct, improve, equip, finance, maintain and operate projects and to carry out the powers granted pursuant to the Act, or reasonably implied from those powers;

NOW, THEREFORE, be it hereby voted and resolved by the Board as follows:

RESOLVED, that pursuant to the provisions of 20-A MRSA §§10952, 10953, 10955 and 10959, as amended, and all other authority thereto enabling, and to provide funds for (a) the planning, design, acquisition, construction, reconstruction, improvement, renovation, rehabilitation and equipping of the Projects, (b) the refunding of the Prior Bonds, (c) paying and discharging any Project Notes, or Project Notes in renewal thereof, issued for authorized purposes, up to an aggregate amount not to exceed \$62,000,000, (d) any capitalized interest, reserves and costs of issuance and (e) any other authorized purposes, the Chief Financial Officer and Treasurer of the System (the "Treasurer") is hereby authorized and empowered from time to time and in the name and on behalf of the System to borrow an aggregate amount not to exceed \$62,000,000 and the Treasurer be and is hereby authorized and empowered, in the name of and on behalf of the System, to execute and deliver such loan agreements, indentures, pledge agreements, bond purchase contracts, preliminary official statements, official statements, continuing disclosure agreements, remarketing agreements, reimbursement agreements, investment agreements, financial advisory agreements, investment advisory agreements, auction agency agreements, market agent agreements, dealer agreements, standby bond purchase or other liquidity facility agreements, agreements with one or more underwriters, agreements with bond counsel and other agreements, documents and instruments as the Treasurer may deem necessary or convenient or desirable with respect to such borrowing. Such agreements, documents and instruments may (a) contain such terms and provisions, not contrary to the general tenor hereof, as the Treasurer may approve, her approval to be conclusively evidenced by her execution thereof, (b) be delivered under the seal of the System and (c) be attested by the System's Clerk or University Counsel; and further

RESOLVED, that pursuant to the provisions of 20-A MRSA §10955(3), as amended, and all other authority thereto enabling, and to provide funds for the purposes approved above, the Board hereby approves and authorizes, as evidence of the borrowing approved above, the issuance, sale and delivery of the Bonds in the aggregate principal amount not to exceed \$62,000,000, in one or more series as the Treasurer shall determine, the Bonds to mature and be payable at such times and in such amounts, to bear interest at such rates, and to contain such other terms and provisions, not inconsistent herewith, as may be approved by the Treasurer, provided that none of the Bonds shall (i) bear interest at a rate in excess of 12% per annum or (ii) mature after December 31, 2037; the Bonds to be denominated by such denomination of an issue as may be selected by the Treasurer; to be manually signed by the Treasurer, sealed with the seal of the System and attested by its Clerk or University Counsel; and to be in such form and contain such other terms and provisions as the Treasurer may approve, her approval to be conclusively evidenced by her execution thereof; and further

RESOLVED, that the Treasurer is authorized on behalf of the System, from time to time, to acquire, purchase, sell, redeem, liquidate, terminate or transfer securities or other instruments constituting investments of the proceeds of the Bonds and to negotiate, enter into, execute in the name of the System and deliver on behalf of the System all investment, banking, brokerage, financial advisory, investment advisory and other agreements and instruments as are necessary or convenient to investment and financial management of the proceeds of the Bonds, all on such terms and conditions as the Treasurer determines are necessary or convenient to financing of the Projects and refunding of the Prior Bonds, such determination to be conclusively evidenced by execution or acquisition of such agreements and instruments by the Treasurer; and further

RESOLVED, that the Chancellor of the System, the Treasurer, and, with the express written approval of the Treasurer, the Clerk or University Counsel, or any one of them, be and hereby are, authorized and empowered in its name and on its behalf, to do or cause to be done any act or thing, and to negotiate, enter into, execute in the name of the System, deliver on behalf of the System, assign, transfer, modify or terminate any agreement or instrument, which any such officer may determine to be necessary or convenient or desirable with respect to the Bonds, the planning, design, acquisition, construction, reconstruction, improvement, renovation, rehabilitation and equipping of the Projects and the expenditure, investment and management of the proceeds of the Bonds and that all acts and things done by the Treasurer in furtherance of the purposes of this Resolution prior to the date hereof are hereby ratified and confirmed; and further

RESOLVED, that the carrying out of the Projects is hereby approved; and further

RESOLVED, that the Bonds shall be secured by such assignments, pledges or commitments of funds or revenues, other than appropriations from the State of Maine, as may be approved by the Treasurer; and further

RESOLVED, that the System covenants and certifies that no part of the proceeds of the issuance and sale of the Bonds shall be used, directly or indirectly, to acquire any securities or obligations, the acquisition of which will cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended; and further

RESOLVED, that the Treasurer be and is hereby authorized to covenant on behalf of the System and for the benefit of the holders of the Bonds that the System will take whatever steps, and refrain from taking any action, that may be necessary or appropriate to assure that the interest on the Bonds will remain exempt from federal and applicable state income taxes; and further

RESOLVED, that the Resolution of the Trustees of the University of Maine System entitled Reimbursement of Project Expenditures attached hereto as an Addendum is hereby approved and adopted; and further

RESOLVED, that the Bonds shall provide that, in accordance with 20-A MRS.A §10964, no member of the Board will be personally liable on the Bonds.

This Resolution shall take effect immediately.

#### **ADDENDUM**

#### **RESOLUTION OF THE TRUSTEES OF THE UNIVERSITY OF MAINE SYSTEM REIMBURSEMENT OF PROJECT EXPENDITURES**

Be it resolved that, for purposes of U.S. Treasury Regulation §1.150-2, the University of Maine System reasonably expects (1) to incur debt to reimburse expenditures (including expenditures made within the last 60 days) temporarily advanced from funds currently held in the Plant Fund, such expenditures to be made to pay the cost, or a portion of the cost, of planning, design, acquisition, construction, reconstruction, improvement, renovation, rehabilitation and equipping of the projects described below (the "Projects") and (2) that the maximum principal amount of debt to be issued by the University of Maine System for the Projects including for reimbursement purposes is Thirty-Seven Million Dollars (\$37,000,000).

#### ***PROJECTS***

##### **University of Maine:**

Expansion of Hutchinson Center; renovation of Maine Center for the Arts, dining facilities and residence halls; and major maintenance of facilities

**University of Southern Maine:**  
University Commons

This Resolution shall take effect immediately.

**Lease of Space – USM.** The Board of Trustees authorized the leasing of approximately 11,125 square feet at 400 Congress Street (5<sup>th</sup> floor) in Portland from A&M Partners, Inc. for a period of eighteen (18) months, at a cost of \$150,187 annually, for the period June 1, 2007 to November 30, 2008, with the option to extend, if occupancy of the Wishcamper Center is delayed, contingent upon System Office review of all lease documents.

**Appointments for Trustee Approval.** The Board of Trustees approved the appointments to the positions at or above the level of Dean or equivalent as recommended by the Chancellor, as follows:

Ian R. Bricknell, Professor of Aquaculture with Tenure, UM  
Mark Lapping, Interim Provost and Vice President for Academic Affairs, USM  
John F. Mahon, Dean, College of Business, Public Policy and Health and Director  
of the Maine Business School, UM  
Reginald Nnazor, Professor of Education with Tenure, UMPI  
Michael Sonntag, Vice President for Academic Affairs, UMPI

**Ratification of the Appointment of Interim President at USM.** The Board of Trustees ratified the appointment of Joseph S. Wood as Interim President of the University of Southern Maine for a one-year term effective July 1, 2007.

**Information Items.** The following items were included in the agenda for information only:

Gateways to Higher Education  
Compensation Programs: Labor Markets Comparisons, Issues and Goals  
Update of Collective Bargaining  
Agenda Calendar

Trustee Weston announced that Trustee Charles Johnson will Chair the Search for the President at UMA. Trustees Mitchell & Medd have agreed to serve on that Search Committee

**Date of Next Meeting.** The July 9, 2007 Board of Trustees meeting has been canceled; therefore, the next meeting of the Board of Trustees will be September 9 & 10, 2007 at the University of Maine at Fort Kent.

Adjournment.

Ellen Doughty for  
J. Kelley Wiltbank, Clerk