

UNIVERSITY OF MAINE SYSTEM  
Board of Trustees Meeting

at the University College of Bangor  
July 14, 2008

**Finance/Facilities Committee**

**Present:** **Committee Members:** James Dowe, Chair; Jean Flahive, Norman Fournier, Barry McCrum, Paul Mitchell, Victoria Murphy, Wayne Newell, and Lyndel Wishcamper. **Other Trustees:** Tamera Grieshaber, Krisandra Horn, Charles Johnson, William Johnson, Marjorie Medd, and Charles O'Leary, and Margaret Weston. **Faculty Representatives:** Bertram Jacobs, Robert Rice, and Fred Walker. **Student Representatives:** Chelsey Everest and Marie Follayttar. **Chancellor:** Richard Pattenaude. **System Staff:** James Breece, Tracy Bigney, Eduard Dailide, Tracy Elliott, Kelley Wiltbank, and Joanne Yestramski.

**Absent:** Susan Gendron.

Trustee Dowe, Chair, called the meeting to order and welcomed everyone. He commented that he is very pleased with the dedication of the Chancellor, CFO, and campus and System staff in tackling the tough financial environment.

**CFO Update.** Ms. Joanne Yestramski, Chief Financial Officer and Treasurer, provided an update on several financial issues.

**Financial Planning Timetable.** Ms. Yestramski explained that the FY08 audited actual results will be available in October and the FY09 financial forecasts will be available in November, February and May. Monthly reports will begin as of September 2008. The biennium request will be submitted to the Board of Trustees at the September 2008 Board meeting. At the November Board meeting the 5-year Capital Plan will be reviewed.

**FY08 Financial Update.** Ms. Yestramski commented that the UMS final operating results for FY08 is expected to be somewhat improved over the \$10.5 million deficit forecast in May. The operations amount is looking better than a \$2.8 million deficit. The final FY08 results will be available for the Finance Committee meeting in October.

**FY09 Financial Update and Enhanced Monthly Reporting.** Ms. Yestramski reported that the UMS enrollment is tracking below targets but it is still too early to project the figures for the fall. The energy costs are projected to exceed budget by approximately \$2 million due to the escalating costs of fuel. The campuses have several energy conservation measures already in place. The negative medical trend rate is causing concern for the UMS self-insured health plan. Another concern is the impact of the current economic conditions in general. The key financial indicators report will be prepared on a monthly basis by campus for senior management and the Board to closely monitor the financial results to ensure a break-even budget goal is achieved. The total savings/reductions budgeted for FY09 are \$18.7 million.

**Five-year Financial Projections Progress Report.** Ms. Yestramski explained the five-year Financial Projections Progress Report will be completed by late August in time for submittal of the FY10-11 biennium request. The reasonable assumptions produce a structural gap amounting to as much as \$8 million annually. Campus financial management believes substantial change will be required to achieve financial sustainability and rebuild reserves to adequate levels.

Capital Markets Update. Ms. Yestramski stated that Standard & Poors has reaffirmed the UMS bond rating at AA-/stable. Three out of the four bond insurers used by UMS have received downgrades from triple A status. The credit concerns in the marketplace have had a major impact on the asset side of the UMS balance sheet, but there has been no impact on the liability side due to the fixed rate debt. The UMS will continue to use independent advisors to provide financial investment and debt management advice in these very difficult times.

IT Update. Mr. Ralph Caruso, Chief Information Office, provided an Information Technology update. Mr. Caruso gave a brief overview on the IT capital needs, IT security, the regional optical network, and the educational broadband spectrum lease. The progress on the Oracle Insight recommendations include an upgrade to the latest version for the financial system in March 2009 and through a \$325,000 grant from the Davis Foundation the fund design and business case development will begin on an enhanced Procurement Model. The MaineStreet student billing is in production with all campus initial billing module completed as of July 14, 2008.

Trustee Dowe thanked Mr. Caruso and his team for their hard work.

Current Energy Initiatives. Mr. Eduard Dailide, Director of Facilities and Planning, provided an update on the current energy initiatives. These initiatives include the wind turbine at UMPI, the Co-gen plant at UM, energy audits in progress at all campuses, participation in the Governor's wood energy alternative fuel initiative, reevaluation of energy procurement practices, creation of an action based energy team including MMA and MCCS, and capital renewal projects which are underway or being planned at all campuses with a major component being energy efficiency measures.

Approval of Board Policies 703, 705, 710, and 711. Trustee Dowe explained the Board of Trustees Policies that are being reviewed. Board of Trustees Policy 703 – Tuition and Fees has been reviewed and the new draft policy proposes to combine policies 703.1, 703.2, 703.3 and 704. The Policy 705 – Scholarships has a proposed name change to “Financial Aid”. Proposed changes to Policy 710 – Unrelated Business Income Tax include the addition of the campus chief financial officer thoroughly documenting all aspects of the proposed Unrelated Business Income Tax activity and submit in writing the activities for approval by the System Chief Financial Officer and Treasurer.

On a motion by Trustee Murphy, which was seconded by Trustee McCrum, the Finance/Facilities Committee agreed to forward the recommendation to the consent agenda.

Acquisition of Schoener Trust Property, UM. Mr. Dailide explained that representatives of Virginia W. Schoener, Trustee of the Schoener Revocable Trust, have offered a parcel of land consisting of approximately 158 acres, with 2,500 feet of shoreline, in Georgetown, Maine known as Robin Hood Cove, to the University of Maine. The College of Natural Sciences, Forestry and Agriculture will benefit from use of the property for research and education in the areas of wildlife, conservation biology, and forestry. UM will incur minor operating costs primarily associated with mowing a field that has traditionally been kept clear for sledding and other purposes. The value of the parcel is to be determined by appraisal, and the terms and conditions of the acquisition are to be reviewed and approved by the Chancellor's Office.

On a motion by Trustee McCrum, which was seconded by Trustee Fournier, the Finance/Facilities Committee agreed to forward the recommendation to the consent agenda for action.

**Sales of Old Town Transfer Station, UM.** Mr. Dailide explained the sale of the Old Town Transfer Station to the City of Old Town. UM acquired 1,747.72 acres of property (the “University Forest”) that included the parcel now known as the Old Town Transfer Station, located at 246 Gilman Falls Road, Old Town, Maine, by deed from the United States of America in 1955. The conveyance was subject to the restriction that the land be used for public purposes only, and if such use ceased, title would revert to and re-vest in the United State of America. In 1989, the University leased approximately 20 acres of the above-described property to the City of Old Town for a 30-year term ending in 2019 for use as a Solid Waste Transfer Facility. The lease was amended to add a utility easement in 1990.

It is in the best interest of the University to divest itself of property that is used by others for disposal of waste. A purchase and sale agreement has been drafted for up to 20 acres of land together with title to, or an easement over, an existing access road extending from Gilman Falls Avenue into the premises. The appraised value of the property is \$15,000. It is anticipated that the transfer of title will occur during the summer of 2008.

On a motion by Trustee Mitchell, which was seconded by Trustee McCrum, the Finance/Facilities Committee agreed to forward the recommendation to the consent agenda for action.

**Executive Session**

On a motion by Trustee Fournier, which was seconded by Trustee McCrum, the Finance/Facilities Committee agreed to go into Executive Session under provisions of 1 MRSA Section 405 6C to discuss real estate issues.

On a motion by Trustee McCrum, which was seconded by Trustee Fournier, the Finance/Facilities concluded Executive Session.

**Purchase of Property – UMFK.** UMFK has the opportunity to purchase property that is consistent with the Campus Master Plan. The property consists of 1,286 square foot; single family home built in 1951, on a 66’ x 201’ lot. The property is being acquired for its strategic importance and will be initially used for needed office space. Funding of this purchase would be from an internal loan.

On a motion by Trustee Mitchell, which was seconded by Trustee McCrum, the Finance/Facilities Committee agreed to forward the recommendation as amended to the consent agenda for action.

**Use of Proceeds from Portland Hall Sale – USM.** In anticipation of the sale of Portland Hall, the University of Maine System engaged bond counsel from the law firm of Preti-Flaherty to determine how the proceeds of the sale could be used. This required the review of the bond history associated with the acquisition of Portland Hall and the creation of a remedial action certificate documenting how the disposition proceeds may be used. Preti-Flaherty advises that the proceeds must be used to finance capital projects and be expended within two years.

USM proposes to use a portion of the proceeds for University Commons and to fund capital renewal projects at USM that improve energy efficiency and/or address deferred maintenance and facilities renewal.

On a motion by Trustee McCrum, which was seconded by Trustee Fournier, the Finance/Facilities Committee agreed to forward the recommendation to the consent agenda for action.

Adjournment

Ellen Doughty for  
J. Kelley Wiltbank, Clerk