

UNIVERSITY OF MAINE SYSTEM  
Board of Trustees Meeting

at the University of Maine  
September 15, 2008

**Finance/Facilities Committee**

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

**Absent:** Susan Gendron, Krisandra Horn, and Margaret Weston.

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

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

**FY08 Financial Update.** The Financial Planning Timetable was reviewed. The UMS final operating results for FY08 is expected to be significantly improved over \$10.5 million deficit forecast for May. The preliminary results appear to be \$0.7 million surplus. The final audited FY08 results will be available for the Finance Committee meeting in October. Ms. Yestramski reviewed the Financial Sustainability Outcomes and the Financial Oversight Plan Progress Report based on the Agenda for Action. The preliminary estimate of unrestricted net assets as of June 30, 2008 is \$77 million as compared to \$76 million as of June 30, 2007.

**FY2010-2011 Biennial Request Overview.** The UMS cost reduction efforts has been ongoing for several years and for FY09 the cuts total \$19.1 million. Additional cuts will be made during FY10-11. The UMS students will pay slightly more as tuition and fees increase modestly over the biennium at 6.4% and 5.8% respectively. It is anticipated that the other revenue areas which include dining, residence halls, gifts, and investment income will increase moderately during the biennium. The UMS is requesting an increase in the State Appropriation of 4.5% annually.

The Sensitivity Analysis for FY2010 provided an overview of the options available to make up the difference if the UMS does not receive the requested State Appropriation. A 1% change in State Appropriation could have an impact equivalent to one of the following areas: \$2 million in tuition and fee revenue, \$2 million in State Appropriation, \$3 million in salaries and wages, \$600,000 in current employee healthcare, \$1 million in goods and services, and 45 full-time equivalent employees or \$3 million.

The MEIF FY2010-2011 Biennium Request is \$1 million annually for each year of the biennium. This would bring the total funding to \$15.7 in FY2010 and \$16.7 in FY2011.

**FY08 Investment Report**

Pension Fund for the quarter ended June 30, 2008 resulted in a 3.8% decline in returns or approximately \$60 million. The UMS is still 15% over funded in the Pension Fund with a five

year annualized return of 8.4%. The Endowment Fund resulted in a 2.6% decline and there is \$115 million in the fund as of June 30, 2008. The Fund is in the 26<sup>th</sup> percentile for FY08 and a 10.4% five year trailing return.

#### 2008 Capital Plan Development.

The revised approach for the capital planning and budgeting will include identifying requirements, prioritize the requirements within established fiscal constraints, and refine priorities. The UMS State Bonding since 2001, excluding R&D bonded projects, total \$73.4 million.

The Capital Plan Guiding Principles include the following assumptions:

- Projects must support campus mission, academic program requirements, student expectations, and the Agenda for Action
- Focus on reinvestment and energy efficiency
- Undertake renovation and modernization of whole buildings to: provide safe, quality, and efficient teaching and learning environments; address functional obsolescence; and improve operational efficiencies
- Promote adaptive re-use of existing assets in lieu of building new. Fund new construction only when existing space is unavailable or cannot be effectively modified.
- Projects to construct replacement facilities to include disposition of existing facilities
- Include life cycle impacts on operating budgets

**Biennium Request for 2010-2011.** Ms. Yestramski explained that the Biennium Request has been developed to address Maine's most important educational and economical needs. The Biennium Request seeks an \$8.5 million (4.5%) increase in its FY10 base budget and an additional \$8.7 million (4.5%) increase in FY11 base appropriations. These increases are requested to partially offset inflationary and energy cost increases. This additional funding, in conjunction with numerous cost containment efforts, will support the UMS goal as outlined in the Agenda and Action to continue to be a financially stable enterprise over the long run while holding tuition and fee increases to modest levels during the biennium.

The biennial budget request for the Maine Economic Improvement Funds (MEIF) seeks an increase of \$1.0 million in the FY2010 base appropriate and an additional \$1.0 million increase in the FY2011 base appropriation to continue the momentum of this highly successful program and its impact on Maine's economic development.

In addition to the biennial budget request to maintain current services and research and development efforts, the UMS is also requesting approval to develop and seek funding for the following strategic initiatives in support of the Agenda for Action to promote student success, strengthen Maine's economy, and demonstrate environmental stewardship for the Nursing/Allied Health Initiative and the Maine Sustainable Energy Initiative (MSEI). The Nursing/Allied Health Initiative would increase the number of graduates in nursing and other health-related professions, thereby addressing the critical shortage of healthcare professionals in Maine. MSEI would work with state partners, the Governor, and the Legislature to explore the development of Maine-centered sustainable energy alternatives, increase and advance research endeavors, promote economic growth, and increase public service outreach.

In FY09 alone, the UMS is reducing projected operating costs and will realize savings of \$19.1 million. One area of great concern to the University is rising energy costs. Even with extensive energy conservation efforts in place, energy costs are projected to increase by \$3.9 million in FY2009, \$3.4 million in FY2010, and \$3.9 million in FY2011.

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

**Advanced Engineered Wood Composite Center Expansion – UM.** Mr. Dailide and Dr. Habib Daghar, Director of the Advance Engineering Wood Composites Center (AEWC), explained that the AEWC has received a \$5 million award from the Maine Technology Institute for development of a facility addressing advanced nanocomposites for the Renewable Energy and Transportation Industries. The cellulose nanocomposites research laboratories will yield lighter, more durable composites that are critical for renewable energy applications such as offshore wind and tidal energy turbines. The structural testing laboratory addition to the AEWC will be used for pilot manufacturing and large-scale durability testing of advanced composite structures for the energy and transportation industries. Based on an analysis of the facility program and operation, a conceptual plan for a 15,242 gross square foot expansion of the AEWC has been developed. It will include the addition of a laboratory, offices, storage and a “high bay” area to test wind turbine blades. The Maine Technology Institute award will fund the construction of the building addition.

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

**FY2008 Annual Report on Gifts and Fund Raising.** Ms. Tracy Elliott, Director of Finance and Controller, explained that the Board policy in the area of Financial Affairs requires Board acceptance of all gifts, donations and bequests. All gifts received fulfill the policy requirements of the Board and follow the intent of the donors. The total cash gifts received for FY2008 was \$18.99 million. As of June 30, 2008 three campuses (UM, UMF and USM) have Capital Campaigns underway. Gifts for student financial aid account for 31% of all gifts received. The Board of Trustees expressed gratitude for the gifts, donations, and bequests for Fiscal Year 2008.

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

**Powell Hall Renovations – UMFK.** Mr. Dailide explained the Powell Hall renovations project will renovate and modernize approximately 9,000 square feet converting it into two classrooms, a seminar room, a computer testing lab and faculty office space to support academic program requirements. The remaining space will be used for overflow housing. This project promotes adaptive reuse of existing assets in lieu of building new. It will incorporate energy efficient design and environmental sustainability as well as address functionality, obsolescence, improve operational efficiencies, and incorporate IT infrastructure requirements. The total project cost is estimated to be \$1.4 million to be funded with State bonds.

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

**Capital Projects Status Report.** Mr. Dailide provided an update on the status of Board of Trustees approved capital projects.

Adjournment

Ellen Doughty for  
J. Kelley Wiltbank, Clerk