

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

at the University of Maine System
September 14, 2009

Finance/Facilities Committee

Present: **Committee Members:** Norman Fournier, Chair; Kevin McCarthy, Barry McCrum, Paul Mitchell, Victoria Murphy and Lyndel Wishcamper. **Other Trustees:** James Dowe, Jean Flahive, Tamera Grieshaber, William Johnson, Marjorie Medd, and Charles O'Leary. **Faculty Representatives:** Raymond Albert, Bertram Jacobs, and Robert Rice. **Student Representatives:** Cynthia Nesbit, Julie-Ann Scott and Dustin Ward. **Chancellor:** Richard Pattenaude. **System Staff:** Eduard Dailide, Tracy Elliott, Kelley Wiltbank, and Rebecca Wyke.

Absent: Eleanor Baker, Susan Gendron, Krisandra Horn, and Wayne Newell.

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

Financial Update. Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer provided a financial update.

FY2009 Year End Forecast

In July 2009 the UMS was projecting a reduction in the operating loss from \$12.5 down to \$2.5 million for 2009. The major components of the forecast were the curtailment in October of \$8.4 million in State Appropriations, a projected \$13.7 million shortfall in temporary investment income, and forecasted losses at several of the universities and the System Office. Not reflected in those forecasts were the potential for greater losses in temporary investment income, the receipt of \$8.4 million in stimulus funds, and the impact of involuntary terminations.

Daily adjustments are still being made to the data and the official financial statements will be available by the end of October. The unaudited income for changes in net assets would be negative \$.5 million at fiscal year end if it were not for the \$6.5 million in stimulus funds which means a total income of \$6 million by the end of the fiscal year.

The UMS gained in the operating fund for the last quarter of the fiscal year so the projected \$13.7 million loss in temporary investment income dropped to \$7.7 million. Several of the universities had better than expected results, however, UMFK, UMM, UMPI and the System Office will end the year in the red even with the stimulus dollars.

Operating Funds

The Operating Fund throughout FY2009 declined 1.63% and the end of FY2009 the investment loss was \$3.15 million and the revenue loss was \$4.54 million which resulted in a budgeted loss of \$7.7 million. In July the Operating Fund grew by 1.62% and the current gain for FY10 at the end of July is \$2.4 million.

Managed Investment Pool (including Enrollment Fund)

The Managed Investment Pool including Endowments for the FY2009 declined 15.7% and the market value at the end of FY2009 was \$125.8 million. Changes in market value besides market fluctuation include: contributions and distributions; UMS contributions to the OPEB Trust; and

Maine Maritime Academy's participation in the fund since January 2009. As of the end of July the Fund grew 5.2% and the market value is \$132.7 million.

Pension Fund

The Pension Fund declined 16.9% during FY2009 and the market value of the Fund at the close of FY2009 was \$42.3 million. As of the end of July the Fund grew 5% and the market value was \$44.1 million. An actuarial analysis has been completed for the Pension Fund and the results as of July 1, 2009 shows an unfunded liability of \$2.9 million.

Update on FY2010 Savings Targets

The total structural gap was identified as \$42.8 million over four years. The savings are ongoing and the work continues. The gap for FY2010 is \$18 million and the identified savings that could be achieved in the Administrative, Student and Financial Services area (Arena 1) totaled \$19.9 million to \$20.4 million. The areas of savings include University/SWS savings, Workforce Management, the Hybrid Information Technology Model, finance and accounting waivers, and Strategic Procurement. Currently the UMS is on target to achieve total savings of \$16.25 million. In the Academic Programs and Services savings (Arena 2) the identified savings is in the review of low-enrolled courses totaling \$1 million for FY2010.

Multi-Year Plan

The current multi-year plan assumptions include flat enrollment projections with the current student body profile, tuition would be an average increase of 6% per year over the four year period, investment income would be adjusted downward to reflect current economic trends from the \$4.5 million expectation of revenue down to \$2 million, operating costs will increase at approximately 5% per year, and the assumptions for State Appropriations were for FY2010 would decrease by 2.7% and FY2011 would stay flat and FY2012 would increase 1% and FY2013 the appropriations would grow by 2%.

The thoughts from the campus Chief Financial Officers are that each university should develop its own enrollment number for inclusion in the multi-year plan and those numbers may not match the aspirational target that has been set for each campus as part of the New Challenges, New Directions Initiative.

Tuition

The Board recommended a 6% tuition increase cap for FY2009. The Chief Financial Officers (CFOs) feel a 6% increase per year may be too high. They feel the UMS is in danger of pricing the tuition out of reach for Maine people. Their recommendation is to move the tuition increase closer to inflation or the increase in personal income to 5% for FY2011 and 4% for FY2012 & 2013 and by FY2014 no more than 3%. The CFOs would also like to model a 0% increase for FY2011 and a second model somewhere between 0% to 5% for FY2011.

Investment Income

The UMS has approximately \$2 million in revenue from investments income. Ms. Wyke commented that she would like to phase out the dependence on this revenue and use the income to build reserves or for strategic investments.

Operating Costs

The trend has been increasing at 5% per year but different models will be reviewed.

State Appropriations

There is significant risk of a curtailment or reduction for this year. The model for FY2011 will be a negative 2%, 0% for FY2012 and FY2013, and 1% increase for FY2014. This will allow for more conservative planning.

Strategic Investment Fund

In FY2011 the \$5.9 million in stimulus funds will be used for the Strategic Investment Fund. Starting FY2012 a percentage of State Appropriations will be designated for the Strategic Investment Fund.

Shared Services Advisory Council

The Shared Services Advisory Council has been established as recommended in the Task Force and Arena 1 reports. The Advisory Council will provide guidance, oversight, and university input into the governance of shared services. The Advisory Council will also look at alternative servicing models such as campus based services and partnerships with other public or non-profit entities.

Use of Stimulus funds for FY09, 10 & 11

The FY2009 awards totaled \$8.4 million with \$450,000 reserved for strategic investments. The remainder of the FY2009 award was distributed to the campuses based on the current funding formula for State Appropriations. The campuses expended the funds in library acquisitions; classroom, laboratory and instructional technology; and classroom instruction salaries and benefits. UMF and USM elected to utilize some of their funds in FY2010 as opposed to FY2009.

The FY2010 award is \$5.9 million with \$600,000 reserved for strategic investments and the remainder was distributed to the campuses based on the current funding formula. The campuses have elected to expend the funds in academic support-mitigation fee increases; support for academic and research missions; student employment; in-state financial aid; geology professor; and classroom instruction salary and benefits. By the end of FY2010 all of the awards in FY2009 and FY2010 will be expended.

FY2009 Annual Report on Gifts and Fund Raising. Ms. Wyke provided an overview of the highlights from the FY2009 Annual Report on Gifts and Fund Raising. The UMS received gifts of cash totaling \$24.1 million during FY2009, with the majority (65%) coming from foundations. Of the \$24.1 million, \$11.4 million was restricted for facilities related projects and \$5.6 million was restricted for student financial aid. The market value of the UMS endowed and non-endowed gifts balances was \$128 million at June 30, 2009 which was a decline of \$16 million or 11% compared to the prior year end balance. The market value of all UMS and affiliated organization endowed funds was \$221.8 million at June 30, 2009 which was a decline of \$60.4 million or 21% compared to the prior year end balance.

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

Bennett Hall Renovations – UM. Mr. Eduard Dailide, System Director of Facilities Management and Planning, explained the Bennett Hall Renovations at UM. The Maine Technology Institute (MTI) has awarded \$883,160 to the UM Department of Physics and

Astronomy and the Center for Science and Mathematics Education Research for the proposal titled “Strengthening Biotechnology and Supporting the STEM Education Initiative in Maine.”

This project will renovate underutilized and poorly functioning portions of the lecture wing on the east side of Bennett Hall to create new office space, an image processing laboratory, a swing laboratory and an elevator that will move large equipment from the loading dock to the Bennett Hall research laboratories in the building’s basement. The grant includes the purchase of bio-imaging, sample preparation and characterization, and image processing equipment to be used in existing and renovated spaces.

The total project cost is \$883.160 with \$543.180 budgeted to equipment purchases and the remaining \$339.980 to be used for the renovation work. The design and equipment purchases will begin, pending Board approval, with an estimated completion date for purchases and renovations of June 30, 2011.

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

Adjournment

Ellen Doughty for
J. Kelley Wiltbank, Clerk