

UNIVERSITY OF MAINE SYSTEM
Board of Trustees

May 9, 2008

Finance/Facilities Committee

Present: **Committee Members:** James Dowe, Chair; Jean Flahive (by phone), Norman Fournier, Barry McCrum, Paul Mitchell, Victoria Murphy, Margaret Weston, and Lyndel Wishcamper. **Other Trustees:** Charles Johnson. **Chancellor:** Richard Pattenau. **Faculty Representatives:** Robert Rice. **Student Representatives:** Marie Follayttar. **Staff:** Tracy Bigney, James Breece, Eduard Dailide, Tracy Elliott, Miriam White, and Joanne Yestramski. **Others Attending:** Joseph Wood (by Polycom), Cynthia Huggins (by Polycom), Tom Potter (by Polycom), Dick Campbell and Anthony O'Reilly from PricewaterhouseCoopers.

Absent: Susan Gendron and Wayne Newell.

Trustees Dowe, Chair, called the meeting to order and welcomed everyone.

Proposed FY09 Operating Budget, Student Charges and FY08 Updated Forecast. Ms. Joanne Yestramski, Chief Financial Officer and Treasurer, reviewed the proposed FY09 Operating Budget, Student Charges and FY08 updated Forecast. Ms. Yestramski discussed the FY09 Financial Planning Timetable and budget drivers. The State Appropriation for FY09 is \$186 million which results in a .2% increase from FY08. The FY07 resulted in a \$15.7 operating increase and the FY08 Forecast indicates a \$9 million operating decrease. The proposed FY09 Operating Budget includes total net revenues of \$510 million, total expenses of \$520.7 million which resulted in break even net change. The Biennium Appropriation for MEIF for research and development is \$14.7, a 7.3% increase from FY08.

The Committee had a lengthy discussion of the losses in Mainsail II which is the State of Maine's \$20 million pooled investment fund. The total financial impact on the UMS from Mainsail II is uncertain. The Committee agreed to estimate the impact of this on the UMS balance sheet and requested the operating budget and FY08 forecast be revised.

The 2008 graduating class from high school is projected to be the peak in the higher education enrollment. The UMS FY09 enrollment projections by annual credit hours by campus are as follows:

UM - 1% decrease	UMM - flat
UMA - flat	UMPI - 7.6% decrease
UMF - .2% increase	USM - flat
UMFK - 2% decrease	

The UMS total FY09 enrollment projection is 725,142 credit hours, a .8% decrease from FY08. Trustee Wishcamper commented that if the UMS is using the budget as a measurement of performance, there needs to be consistency in calculating the budget among the campuses. Some campuses use more conservative budgeting than others.

The UMS FY09 in-state weighted average tuition increase is 10% and 9.8% for out-of-state. The FY09 weighted average of in-state, undergraduate, full-time tuition and mandatory fees is \$7,822, a 10.1% increase from FY08. The FY09 proposed weighted average of Room and Board is \$7,776 or a 5.5% increase. The total UMS waivers increase by approximately \$500 thousand annually and approximately 45% of waiver costs are state mandated. The total

planned financial aid for FY09 is \$70.2 million, an 11.4% increase from FY08. Trustee Weston recommended a future agenda item for the Academic Affairs Committee would be a comprehensive look at financial aid.

The total Operating Expenses for FY09 is \$520.7 million and FY09 budgeted total unrestricted FTE employees is 4,543 which is a decline from FY08. An estimate of 139 positions are to be eliminated system-wide and these consist of both vacancies and lay offs. The UMS has an increase of 6.1% in FY09 for employee benefits, totaling \$122.5 million.

The UMS major capital projects in progress totals \$123.4 million. The funding for these projects includes state bonds and appropriations, UMS revenue bonds, fundraising and institutional capital funds.

FY2009 Campus Budget Presentations.

University of Southern Maine

President Joseph Wood and Chief Financial Officer Dick Campbell presented the UMS budget and strategic directions. The USM FY09 budget will ultimately reflect \$7.5 million in cost reductions. A 10.1% across the board tuition increase planned for undergraduate and graduate students. The budgeted credit hours are based on actual credits generated in FY08. The auxiliary budget for Residence Life is based on Portland Hall being closed and a 90% occupancy rate. USM is increasing institutionally funded financial aid by 10.1% (\$179K).

The challenges include increasing labor relations and legal costs due to workforce management, unanticipated costs related to reorganization, managing workforce productivity and morale while downsizing, escalating costs for the operation and maintenance of new and existing facilities including those needed to support R&D initiatives, and making the \$7.5 million in reductions necessary to balance the budget.

University of Maine at Machias

President Cynthia Huggins and Chief Financial Officer Tom Potter presented the UMM budget and strategic directions. The UMM FY09 budget reflects \$600 thousand in cost reductions and reallocations and a reduction of 10 net positions. Level enrollment is projected and a proposed increase of 12% for in-state and out-of-state tuition. The unified fee at UMM will be increased in order to support "smart" classrooms and instructional technology. The residence halls are still below capacity (68%) but occupancy is steadily increasing. The childcare center is closed and fitness center operations have been restructured to eliminate annual deficit.

The challenges for UMM are the changes in the Maine demographics, which will be especially severe in Washington County; establishing the funding to support the full implementation and marketing of its Environmental Liberal Arts mission and focus; and the State appropriation, deferred maintenance, and internal loan repayment with no reserves.

University of Maine

President Robert Kennedy and Vice President Janet Waldron presented the UM budget and strategic directions. The FY09 budget reflects a \$5 million in cost reductions and reallocations which include 44 position reductions. The FY09 base budget is balanced by

significantly reducing positions and other expenditures coupled with a growth in budget credit hours (as compared to prior year budget) and significant tuition and fee increases. The budgeted enrollment is 1.8% over Fall 2008 and approximately 1% below FY08 actuals. The FY09 includes 9.6% to 9.8% tuition increase, a 9% mandatory fee increase, a 7% room and board increase, and a 4% overall compensation increase. UM will increase tuition waivers and scholarships by 11% to offset tuition and fee increases. The UM units and department expenditures are not funded at appropriate levels to support necessary operational costs to offset the years of erosion and pressure is emerging on the sustainability of credit hour generation given reductions in faculty positions.

The challenges for UM include finding a solution to chronic revenue shortfalls through a sustainable business model; the need to provide appropriate levels of compensation; fund deferred maintenance; increase enrollment growth given declining demographics; strengthen emergency security efforts; increase state base appropriation for operations, capital and MEIF; determine offsetting effects of continuous position reductions; and fund utility expenses and increased employee benefits.

University of Maine at Augusta

President Allyson Handley presented the UMA budget and strategic directions. The FY09 budget reflects \$536 thousand in cost reductions and 5.5 net FTE position reductions. There will be savings due to efficiencies realized from UMA/UC consolidation but will still require a 2% across the board cut in non-compensation budgets. UMA will have a 9.2% tuition increase with flat enrollment projections.

The challenges for UMA include the reverse downward enrollment trend, identify funding to update and equip the dental clinic on the UCB campus, address UCB's significant deferred maintenance, acquire the MPBN building on UCB campus, identify and implement energy efficiencies, and succession planning.

Progress Report on PricewaterhouseCoopers (PWC) Recommendations. Ms.

Yestramski and Richard Campbell, USM CFO, provided a progress report on the PricewaterhouseCoopers' (PWC) recommendations including the financial oversight plan for USM. The five recommendations include the following: full amount of the deficit for USM must be identified, budgets should more directly reflect the strategic priorities of the campus, budget and reporting disciplines must be greatly improved, the finance function at USM should be improved, PeopleSoft should be fully implemented, and oversight should be improved. USM has made substantial progress toward implementing the recommendations.

Miscellaneous

The USM Trustees who are also Maine Public Broadcasting Network (MPBN) Trustees will recuse themselves from the vote on the MPBN transactions at the May Board meeting.

Adjournment.

Ellen Doughty
for J. Kelley Wiltbank, Clerk