Board of Trustees Meeting


Absent: Marjorie Medd, Kevin McCarthy, and James Rier, Jr.

May 18, 2014

EXECUTIVE SESSION
On a motion by Trustee Collins, which was seconded by Trustee Fournier, the Board of Trustees meeting went into Executive Session under the following provisions:
- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment and duties.

On a motion by Trustee Murphy, which was seconded by Trustee Newsom, the Board of Trustees concluded the Executive Session.

CHAIR’S REMARKS
Trustee Collins welcomed the two new Trustees: Shawn Moody and Paul Nelson. Trustee Collins welcomed the two new Student Representatives to the Board of Trustees: Ms. Courtney Jicks from UMA and Ms. Alexa Harrison, UMM.

USM Search
Trustee Collins stated that the USM Presidential Search Committee will be established in the near future. USM President Kalikow mentioned the USM Steering Committee for the Metropolitan University will be starting up over the summer and into the fall. Mr. Dick Barringer will serve as Chair of the Steering Committee.

ACCEPTANCE OF MINUTES
On a motion by Trustee Turner, which was seconded by Trustee Nelson, the minutes from the following meetings were unanimously approved as presented:
  March 23-24, 2014 - Board of Trustees Meeting
  March 23, 2014 - Finance/Facilities/Technology Committee Meeting
  April 23, 2014 - Academic & Student Affairs Committee
APPROVAL OF RESOLUTIONS

Resolution for Paul J. Mitchell
On a motion by Trustee Hood, which was seconded by Trustee Fournier, the Board of Trustees approved the following resolution for Paul J. Mitchell:

Whereas, Paul J. Mitchell has served in senior leadership roles in the University of Maine System with distinction;

Whereas the positions held are Trustee of the University of Maine System and Chair of the Trustee Affairs Committee;

Whereas Mitchell has served on a number of committees: the Audit Committee, Executive Committee, Finance/Facilities/Technology Committee, Academic & Student Affairs Committee, Investment Committee, Strategic Planning Subcommittee, and Student Affairs Committee;

Whereas Mitchell also contributed his time to serve on the University of Maine at Augusta Presidential Search Committee in 2007 and was the Board of Trustee Representative to the University of Maine Foundation in 2004;

Whereas Mitchell has completed two five-year terms on the Board of Trustees;

Be it known to all that we, the University of Maine System Board of Trustees, offer our most sincere gratitude, thanks, and best wishes to Paul J. Mitchell for his outstanding contributions to the quality of higher education in Maine.

Approved on the 18th day of May, 2014, by a grateful University of Maine System Board of Trustees, acting as stewards of Maine’s public universities and their 39,000 students, 5,000 employees and more than 185,000 living alumni.

Resolution for Victoria M. Murphy
On a motion by Trustee Hood, which was seconded by Trustee Fournier, the Board of Trustees approved the following resolution for Victoria M. Murphy:

Whereas, Victoria M. Murphy has served in senior leadership roles in the University of Maine System with distinction;

Whereas the positions held are Trustee of the University of Maine System and Chair of the Trustee Affairs Committee;

Whereas Murphy has served on a number of committees: the Audit Committee, Executive Committee, Finance/Facilities/Technology Committee, Student Affairs Committee, Human Resources & Labor Relations Committee, and Strategic Planning Subcommittee;

Whereas Murphy also contributed her time to serve on the University of Maine at Farmington Presidential Search Committee in 2012, the Chancellor Search Committee in 2007 and coordinated the Board of Trustees self-assessment for many years
Whereas Murphy has completed two five-year terms on the Board of Trustees;

Be it known to all that we, the University of Maine System Board of Trustees, offer our most sincere gratitude, thanks, and best wishes to Victoria M. Murphy for her outstanding contributions to the quality of higher education in Maine.

Approved on the 18th day of May, 2014, by a grateful University of Maine System Board of Trustees, acting as stewards of Maine’s public universities and their 39,000 students, 5,000 employees and more than 185,000 living alumni.

UMPI STRATEGIC PLAN
UMPI President Linda Schott presented UMPI’s proposed Strategic Plan. The UMPI Strategic Plan was presented to the Academic and Student Affairs Committee on April 23 and the Committee approved the Strategic Plan and agreed to forward it to the Consent Agenda for the May 18-19, 2014 Board Meeting.

In the spring of 2013, President Schott began leading a campus-wide discussion of a new vision for UMPI. That summer, the executive leadership team on the campus worked together to draft a vision, mission, and statement of institutional values and began disseminating them for discussion. After their approval in fall 2013, President Schott appointed a Strategic Planning Committee to develop a plan for achieving the new vision by 2020. That committee and the executive leadership team created the draft plan that President Schott presented to the Board of Trustees on May 18. This plan has been approved by all campus constituencies as well as the UMPI Foundation Board, the UMPI Alumni Board, and the UMPI Board of Visitors.

UMPI Strategic Plan - Vision
The University of Maine at Presque Isle will design with each student a personalized, technologically innovative education and prepare each graduate for a professional career, global contributions, and lifelong learning.

The Bedrock Strategic Initiative states the University of Maine at Presque Isle will enable all employees to achieve their potential while also enhancing a sense of community and campus pride in all employees. Four Strategic Goals have been developed to enhance the Strategic Plan.

COMMITTEE REPORTS
Academic & Student Affairs Committee. Trustee Gregory Johnson reported that the Committee met on April 23, 2014 and agreed to forward to the Consent Agenda for the May Board meeting the Approval of the Strategic Plan for UMPI, the USM Program Eliminations, and a new Academic Program: Doctor of Science in Law at USM and the Awarding of Tenure at USM. The Committee received updates on the Credit Transfer Steering Committee, the ABCDE Committee, the International Study Centers and the Unified Online Operations Study. The Committee had a preliminary discussion of how to advance the depth and quality of dialogue between the Faculty & Student Representatives and the Board of Trustees, working through the Academic and Student Affairs Committee.

Audit Committee. Trustee Kurt Adams reported that the Committee met on May 7, 2014 and received a clean Audit and reviewed the highlights from the OMB Circular A-133 Audit for fiscal
year 2013, the external Auditor Communications and the FY2014 Audit Planning Summary. The Committee received an overview on the UM Department of Athletics Agreed-Upon Procedures and an Information Security update.

Finance/Facilities/Technology Committee. Trustee Norman Fournier reported that the Committee met on May 5, 2014. The Committee reviewed the Information Technology Projects with a value of $250,000 or greater and received updates on Information Security, the Capital Projects Status Report, the Housing Initiative at UMA, the Powers Hall Exterior and Masonry Increase at UMM. The Committee was provided an overview of the Administrative Review savings for FY2014 and FY2015 for the Information Technology and the Strategic Procurement Administrative Reviews. The Committee approved the following items: the Cutler Health Center University Volunteer Ambulance Corps (UVAC) Bay Expansion at UM, the Lewiston/Auburn College Laboratory Renovations at USM, and the Science Building Laboratory Renovations at USM. The Committee agreed to forward to the Consent Agenda for the May Board meeting the FY2015 Unified Operating Budget, Recommended Student Charges and Proposed Transfers from the Budget Stabilization Fund; the Forestry Geographic Information System Technologies Lab, the Nursing Lab Renovation and the Teleconference Center Upgrade at UMF; the Bailey Hall Science Laboratories at USM; the University of Maine Museum of Art Lease Extension at UM; and the Payson Smith Hall Chemistry Lab Renovation at USM.

Human Resources & Labor Relations Committee. Trustee James Erwin reported that the Committee met on April 30, 2014 and received an update on the human resources work completed, in progress, and upcoming aimed at increasing efficiency, cost savings and improved service delivery. The Committee agreed to forward to the Consent Agenda for the May Board meeting the Collective Bargaining Agreement for the Service and Maintenance, Teamsters Local #340.

DISCUSSION ITEMS.

Student Representatives Presentation/Discussion. Mr. Alex Greenlee, Student Representative from USM introduced Ms. Caroline O’Conner, student at USM, who spoke on behalf of Students for USM Future regarding the Strategic Change Package and the future of the University of Southern Maine. Mr. Greenlee concluded with remarks about communications, process and metrics.

MEETING CONCLUDED
The Board of Trustees meeting was concluded and reconvened at 8:30 am on Monday, May 19, 2014.
Megan LeSala – Divest Maine

CHAIR’S REPORT
Report from the Electronic Board Book Work Group. Trustee Collins asked Trustee Karl Turner, Trustee James Erwin and Professor Ray Albert to serve on a work group to pursue options for a software tool for an electronic board book for board meeting and committee meeting materials.

Trustee Turner provided an update on the Electronic Board Book Work Group. The Work Group has met and reviewed a demo from Diligent Board Books. A Request for Proposal was distributed last week with submissions due by the first part of June. The Group is looking into a product that will enhance productivity.

Maine Development Foundation Report
Trustee Collins encouraged the Trustees to review the Maine Development Foundation report on higher education impacts on the State of Maine.

BOT/BOV Summit
The BOT/BOV Summit is scheduled for May 28, 2014 at UM in the Buchanan Alumni House. Trustee Collins encouraged the Board members to participate in the Summit.

CHANCELLOR’S REPORT
Chancellor James Page reported on the following topics:

Legislative Update. Mr. Ryan Low, Executive Director of Governmental & External Affairs, provided an update on legislative affairs. Mr. Low expressed thanks to the Trustees, Presidents, students, faculty and other staff for their assistance with the past legislative session.

Strategic Outcomes. Chancellor Page explained that work is progressing on an update to the Board of Trustees Goals and Action document. This document sets out the general criteria through which the UMS Board of Trustees directs its vision, presented here in terms of demonstrable strategic outcomes at the System level and in each of its three mission categories of education, research and economic development and public service.

BOT/BOV Summit. The BOT/BOV summit scheduled for May 28, 2014 is part of the enhanced engagement with the Board of Trustees and the Boards of Visitors.

USM Direction Package. Chancellor Page thanked President Kalikow for coordinating the Steering Committee to work on the USM Direction Package. USM has received very positive feedback from the community on the concept of a metropolitan university.

VICE CHANCELLOR FOR ACADEMIC AFFAIRS’ REPORT.

UMF Strategic Plan. UMF President Kate Foster played the UMF “Happy” video produced by a senior at UMF. President Foster provided a brief presentation on the UMF Strategic Plan. President Foster spoke about the UMF 2020 which lays out the strategic concepts and the overarching aim to strengthen the financial and operational ability of UMF to thrive in the years to come. There are four goals outlined in the plan as follows:

Goal 1 – Reinforce and enhance our market position
Goal 2 – Experience UMF
Goal 3 – Leverage our location
Goal 4 – Align our actions

Dr. Susan Hunter, Vice Chancellor for Academic Affairs, provided a summary of the Academic Portfolio Review and Integration Process, explained the current collaborations underway within the UMS and provided an update on the Credit Transfer Steering Committee.

**Academic Portfolio Review and Integration Process**
Dr. Hunter explained that the Academic Portfolio Review and Integration Process document will be released in parallel with the Chancellor’s release of the Strategic Outcomes Plan. The goal is to have the document finalized for Board approval in July.

The Portfolio Review document states that the restructuring effort will produce an approximate targeted personnel savings in Academic Affairs of $18 million over the next 4-5 years. It includes the position reductions made to balance FY2015 and the approximate non-personnel savings in Academic Affairs is $6 million. The target savings amount will be further refined and may be offset by revenue growth. The figures were derived from an analysis of and approach to closing the structural gap. Revenue increase was projected to account for 15% of the closure with expense reductions to account for 85%. Within expense reductions there was a breakdown between administration and academics and a further sub-categorization of personnel and other. A 60/40 split between administration and academics yields the $18 million figure.

Overall adherence to timelines, goals and communication requirements will be monitored by a Process Advisory Group (PAG). The PAG will include the Vice Chancellor for Academic Affairs as Chair, a Trustee, a President, two faculty (one from a large campus and one from a small campus), a Board of Visitors Member, two Provosts (one from a large campus and one from a small campus), and a Student Affairs representative. This group will be empowered to charter and deploy sub-teams, as developed by the CAOs, to focus on specific aspects of the project. Every campus has representation on the PAG.

**UMS Collaborations**
Dr. Hunter reviewed the current academic collaborations within the UMS as follows:
- Nursing collaboration between UMA and UMFK
- UMM is providing the required meteorology course for the UMA aviation program. The same institutions are exploring incorporating UMA’s upper-level accounting courses into the UMM business program.
- UMPI, UMFK and UMM exploration of collaboration in English and exploring a similar arrangement in History.
- There has been a consortium of 6 UMS institutions (USM, UMF, UMM, UMPI, UMFK and UMA) on standardizing curriculum in Geographic Information Systems for over 10 years, partnering on software purchases, and grant writing.
- In August, the Chief Academic Officers will look at new hire requests as a group to see if there are some economies and efficiencies to be gained from a more collaborative approach.

**Credit Transfer Steering Committee – General Education Working Group**
Dr. Hunter explained that three motions were prepared for Faculty Senate action.
- Large Block General Education proposal – a student who completes the Gen Ed large block at any UMS campus will be regarded as having fulfilled the Gen Ed large block at any other UMS campus even though all the courses, categories and credits don’t totally map over 1 to 1.
- Course-by-course articulation agreements
- Development and maintenance of a course transfer articulation database and generation of user friendly course transfer tables

All campuses except UMF passed the earlier versions of all three motions with the understanding that the Large Block motion would be slightly adjusted to reflect wording around the description of lab and field work. UMF has now passed the Large Block but did not get to the other two motions. They will do so in the fall and anticipate no issues. All of the other campuses will present, before school ends, the updated large block, but final votes will not occur until the fall; no one anticipates an issue.

Work is continuing on the Small General Education block ease of transfer of Community College students into UMS. A faculty group is having very productive discussions and formulating agreed-upon block of course titles that would fulfill the General Education requirements on any campus. The idea is that Community College students intending to transfer would be specifically guided to certain courses that have been agreed to work System-wide which would be approximately 19 credits. Dr. Hunter stated that conversations with Community College Academic Deans are scheduled for June.

**VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION & TREASURER’S REPORT.** Dr. Rebecca Wyke, Vice Chancellor for Finance and Administration & Treasurer, provided a financial update.

**Managed Investment Pool (including Endowment Fund).** In March the fund increased by 0.5% and fiscal year-to-date the fund has grown 12.1%. The market value on March 31, 2014 of the Managed Investment Pool (MIP) was $264 million. Changes in market value besides market fluctuation include: contributions and distributions, the UMS contributions to the OPEB Trust, the Maine Maritime Academy’s participation in the Fund since January 2009, and the UM School of Law Foundation’s participation in the MIP since July 2012.

**Pension Fund.** In March the fund increased by 0.4% and fiscal year-to-date the fund has returned 10.2%. The market value on March 31, 2014 of the Pension Fund is $39.6 million.

**Operating Fund.** In March the Operating Fund increased by 0.1% and fiscal year-to-date the fund has returned 3.2%.

**FY2014 3rd Quarter Forecast.** Dr. Wyke presented the FY2014 Forecast as of April 30, 2014.

As of April 30, 2014 the UMS is forecasting an unrestricted operating increase of $5.235 million for FY2014. It should be noted, however, that this includes the current increase in temporary investment income of $6,980 million above budget and a $2.0 million positive projection for employee benefits. Campus operations are projecting a loss of $3.745 million as compared to $6.534 million in the February forecast. The projections have improved for UMaine, UMA, UMPI, and USM. Except for UMM, campus reserves are sufficient to cover their forecasted deficits.
<table>
<thead>
<tr>
<th>Institution</th>
<th>Net Increase (Decrease)</th>
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<tbody>
<tr>
<td>UMaine</td>
<td>($1.090) Million</td>
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<tr>
<td>UMA</td>
<td>280 Thousand</td>
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<td>UMF</td>
<td>0</td>
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<td>UMFK</td>
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<tr>
<td>UMM</td>
<td>(862) Thousand</td>
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<tr>
<td>UMPI</td>
<td>(702) Thousand</td>
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<tr>
<td>USM</td>
<td>(1.372) Million</td>
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<tr>
<td>Governance &amp; University Services</td>
<td>0</td>
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<tr>
<td>Temporary Investment Income</td>
<td>6.980 Million</td>
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<tr>
<td>Employee Benefits</td>
<td>2,000 Million</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 5.235 Million</strong></td>
</tr>
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The major factors impacting this forecast include the following:

- The temporary investment income budget is $2.8 million. Based on information available as of April 30, UMS has realized total income of $9.78 million, net of expenses, for a total budget-to-actual positive variance of $6.98 million. This forecast reflects only the gain realized thus far and does not include any projections for future gains or losses.
- The employee benefits cost projection is $2 million below budget – primarily as a result of favorable medical claim costs compared to budget to date. Since the System is self-insured, however, this surplus could evaporate quickly if large claims are incurred.
- UMS Spring enrollments were 3.9% (846 FTE) below budget, but enrollments are above budget at UMaine (1.0% or 82 FTE) and UMFK (1.4% or 10 FTE). Enrollments for Fall 2013 were 1.8% (414 FTE) below budget, but enrollments were above budget at UMaine (3.7% or 336 FTE) and UMFK (5.9% or 45 FTE). The average UMS enrollment for the two semesters was 2.8% or 630 FTE below budget.
- UMS Spring residence hall occupancy was 5.5% (335 students) below budget. Residence hall occupancy for Fall 2013 was 0.7% (45 students) below budget. The average UMS residence hall occupancy for the two semesters was 3.1 % (189 students) below budget but was above budget at UMaine (3.3% or 109 students).
- Tuition, fees, dining, and residence hall revenues (net of financial aid) are projected to be $5.538 million or 2% below budget as a result of the lower enrollments and residence hall occupancy.

The major factors NOT included in the forecast:

- USM is working to reduce the FY2015 budget by $2.5 million. If this requires reducing the size of the workforce during June 2014, separation costs would increase the FY2014 projected deficit.

*Proposed FY2015 Unified Operating Budget, Recommended Student Charges, and Proposed Transfers from the Budget Stabilization Fund.* Dr. Wyke stated that on May 5, 2014 the Finance/Facilities/Technology Committee reviewed the FY2015 Unified Operating Budget for the University of Maine System, including the recommended student charges and the proposed transfers from the Budget Stabilization Fund to offset net unrestricted operating losses at the University of Maine, the University of Maine at Fort Kent, the University of Maine at Machias, and the University of Southern Maine. The Committee agreed to forward it to the Consent Agenda for the May Board meeting.
The FY2015 Unified Operating Budget for the University of Maine System is not balanced and requires the use of $11.4 million from reserves. The budget is based on flat state E&G appropriation and enrollment based on campus management plans. Any negative shift in one or both of these factors will result in an increased deficit. If E&G depreciation were funded at the FY2015 target of 90%, the deficit would increase to $14.6 million. This level of deficit spending is not sustainable and is stark evidence that the current operating model is broken. It is incumbent upon the Board of Trustees and the senior leadership of the seven universities and the System to address this situation and ensure that Maine’s public universities are available for generations to come.

FY2015 budgets are based on flat State E&G Appropriation and reflect allocating 10% of the campuses appropriation through the Outcomes Based Funding Model. The FY2015 State E&G appropriation is $6.2 million below the FY2008 level. The UMS receives $14.7 million in restricted State Appropriation for the Maine Economic Improvement Fund to advance research and economic development for the benefit of all Maine people.

The UMS’ ability to raise revenue will continue to be restrained by what Maine people can afford. Maine’s three-year moving average of median household income for 2010-2012 is $50,121. Absent the application of financial aid, the weighted average of tuition and fees as a percentage of median household income is 18%. The UMS is committed to continuing its commitment to freeze in-state undergraduate tuition & the mandatory unified fee during the FY2014-FY2015 biennium if the state appropriation is not reduced. In-state tuition & the mandatory unified fee for both undergraduate and graduate students continue to be frozen at FY2012 levels. In-state law tuition remains at the FY2013 level. For the first time since 1984-1987, there has been no in-state undergraduate or graduate tuition increase for 3 consecutive years. For in-state, undergraduate students, the UMS weighted FY2015 average increase is:

- 0.2% tuition increase
- 0.0% mandatory fee increase
- 0.4% room & board increase
- 0.6% comprehensive student charges increase (tuition, mandatory fees, room, and board)

Weighted average is based on a combination of tuition rates, mandatory fees and the projected credit hours at each rate. Therefore, the weighted average can change even though the tuition rates do not change. Maine’s 15 to 24 year old population will decline 19.5% between 2010 and 2020.

The residence hall capacity is declining as buildings are taken off-line for renovations or to realize savings from declining demand. Occupancy is budgeted to increase in FY2015.

Compensation & Benefits continues to be the single largest cost driver representing 75% of the E&G budget or 68% of the overall unrestricted operating budget. Compensation budgets reflect the estimated impact of bargaining unit contracts that have been ratified for FY2014 and FY2015 and estimates for those that are still pending, an increase of approximately 3% of the salary base for each year. The FY2015 internal benefit rate is 51.5% as compared to 52.4% for FY2014. Reflecting agreements in the bargaining contract, medical costs are based on the Employee Health Plan Task Force Goal of 4% as compared to a 7% health plan trend rate that was used to calculate the FY2014 benefit rate. The Employee Benefit Reserve had $20.5 million as of 6/30/13. It is recommended that reserve levels for self-insured health benefit programs equal 3 to 6 months of benefit costs. For the
UMS, this would be between $17 - $33 million. An estimated $1.3 million of the reserve will be used to fund the Special Retirement Incentive.

However, E&G funding for depreciation that supports classrooms and laboratories is underfunded by 21%, or $5.3 million and total depreciation is underfunded by 9% with great disparity between campus funding levels. The UMS owns more than 550 buildings providing more than 9 million square feet of space located across the State with an estimated replacement value of $2.3 billion. Forty percent of System space is more than 50 years old in terms of renovation age, which has increased from 29% in 2006. Critical building needs and investments can be expected in facilities with an estimated renovation age of more than 25 years-- and even more so in the older 50+ category. The age of facilities, limited capital renewal funding, code changes, and functional obsolescence have resulted in a critical deferred maintenance estimate of $433 million and total asset reinvestment backlog of $942 million.

The Budget Stabilization Fund was created to enable the UMS to smooth the financial impact of adverse markets, economic conditions, and address other financial challenges. The Budget Stabilization Fund was established in 2010 and has been built from net investment income that exceeded budget pursuant to the Board of Trustees investment policy. The proposed transfers from the Budget Stabilization Fund represent the first time these funds have been accessed. The Treasurer will only authorize all or a portion of the transfer needed to offset a net unrestricted operating loss for each institution at the close of FY15. The Fund’s current balance is $15 million and funds would be dispensed as follows:

- UMaine - $900,000
- UMFK - $1,300,000
- UMM - $797,000
- USM - $7,000,000

As of June 30, 2013, the UMS had approximately 5 months’ worth of operating expense held in reserve. This is also the benchmark for public institutions of higher education indicating resources are sufficient and flexible enough to support the mission. However, this ratio varies by institution leaving some extremely vulnerable when state appropriation is reduced or enrollment declines occur. Additionally, the FY15 budgeted deficit will reduce the Budget Stabilization Fund by $10 million and uncommitted campus reserves by $1.6 million. The payout of the retirement incentives will also reduce the Benefit Pool by at least $1.3 million. An impact of $12.9 million on unrestricted net position in addition to funding other campus activities such as auxiliary services, capital projects, deferred maintenance, and scholarships, as well as providing reserve balances for the employee self-insured health plan, collateral for internal loans to campuses, and a reserve to cover deductibles for risk management.

All campuses except UMA have a net operating deficit budgeted for FY2015. The FY2015 budget includes the net reduction of 157 positions, which is double the reduction of positions in the development of the FY2014 budget.

**CONSENT AGENDA**

On a motion by Trustee Johnson, which was seconded by Trustee Fournier, the items on the Consent Agenda were unanimously approved by the Board of Trustees as follows:
The following agenda items were forwarded by the Academic & Student Affairs Committee to the Consent Agenda from its meeting on April 23, 2014:

**Approval of Strategic Plan, UMPI.** The Board of Trustees approved the University of Maine at Presque Isle’s Strategic Plan as presented.

**USM Program Eliminations.** The Board of Trustees approved the eliminations of five academic programs at the University of Southern Maine: B.A. in Elementary Education, M.S. in School Psychology, B.S. in Applied Technology Education, B.S. in Technology Education, and the M.S. in Classroom Teaching.

**New Academic Program: Doctor of Science in Law, USM.** The Board of Trustees approved the creation of a Doctor of Science in Law at the University of Maine School of Law.

The following agenda items were forwarded by the Finance/Facilities/Technology Committee to the Consent Agenda from its meeting on May 5, 2014:

**FY2015 Unified Operating Budget, Recommended Student Charges and Proposed Transfers from the Budget Stabilization Fund.** The Board of Trustees approved the FY2015 Unified Operating Budget (including the total annual budget for travel, meals, entertainment, and for contribution expenses), the Maine Economic Improvement Fund budget, transfers from the Budget Stabilization Fund subject to the approval of the Treasurer, and the recommended student charges as presented.

**Forestry Geographic Information System Technologies Lab, Nursing Lab Renovation and Teleconference Center Upgrade, UMFK.** The Board of Trustees approved the recommendation of the Finance, Facilities and Technology Committee and authorizes the expenditure of up to $1,200,000 from the proceeds of General Obligation Bond funds approved by voters in November 2013 for the purchase of equipment and renovation to Nadeau Hall and Cyr Hall for the enhancement of the Nursing Program, as well as equipment purchase and renovation of the former Armory Building to relocate and enhance the Forestry Program.

**Bailey Hall Science Laboratories, USM.** The Board of Trustees approved the recommendation of the Finance, Facilities and Technology Committee and authorizes the expenditure of up to $1,250,000 from the proceeds of General Obligation Bond funds approved by voters in November 2013 to renovate laboratories at Bailey Hall in Gorham.

**Payson Smith Hall Chemistry Lab Renovations, USM.** The Board of Trustees approved the recommendations of the Finance, Facilities and Technology Committee and authorizes the expenditure of up to $1,250,000 from the proceeds of General Obligation Bond funds approved by voters in November 2013 to renovate the chemistry lab and other improvements at Payson Smith Hall in Portland.

The following agenda items were forwarded by the Human Resources & Labor Relations Committee to the Consent Agenda from its meeting on April 30, 2014:

**Collective Bargaining Agreement: Service and Maintenance, Teamsters Local #340.** The Board of Trustees authorized the Chancellor to execute the collective bargaining agreement
with the Service and Maintenance Unit, Teamsters Local #340, upon notice that the agreements have been ratified by the union.

**ACTION ITEMS**

**Election of Board Officers.** At the March Board meeting Trustee Collins, Chair of the Board, appointed the following Trustees to the Trustee Nominating Committee: Norman Fournier, Chair; Michelle Hood and Marjorie Medd. Trustee Fournier reported the Nominating Committee proposed the following slate of officers for 2014-2015: Samuel Collins as Chair and Gregory Johnson as Vice Chair.

On a motion by Trustee Fournier, which was seconded by Trustee Erwin, the Board of Trustees approved the slate of officers for 2014-2015, as proposed.

**Confirmation of Student Representatives to the Board of Trustees.** On a motion by Trustee Newsom, which was seconded by Trustee Gardner, the Board of Trustees approved the appointments of the following Student Representatives to the Board of Trustees:

- Courtney Jicks, UMA (two year term – May 2014 to May 2016)
- Alex Greenlee, USM (term extended until December 2014)
- Alexa J. Harrison, UMM (two year term – June 2014 to May 2016)

Trustee Collins presented each of the following outgoing Student Representatives with a Certificates of Appreciation:

- Shawn Staples, UMA
- Jacob Snyder, UMM
- Colin Buttarazzi, UM

**UM Museum of Art Lease Extension, UM.** Ms. Janet Waldron, former UM Senior Vice President for Finance and Administration and Mr. Stewart Harvey, UM Executive Director of Facilities and Capital Management Services, explained that the University of Maine requested approval of an extension and expansion of the lease agreement with Eastern Maine Development Corporation (EMDC), current owner of Norumbega Hall in Bangor, Maine, home of the University of Maine Museum of Art. The Finance/Facilities/Technology Committee reviewed and approved this item. Because there was a request from a Trustee, this agenda item was removed from the Consent Agenda as a separate action item.

The current request involves an increase of about 2,000 square feet or 16 percent in the amount of space leased at this location. Utility costs would be expected to increase by approximately $3,200 annually. The museum in November of 2002 moved into newly renovated space in the ground floor level of Norumbega Hall in Bangor Maine. Combined, the University and the City of Bangor invested $955,000 in the renovations. The University has leased this space since July 1, 2001. The current lease expires on June 30, 2016.

UMMA has three objectives with regard to this request and its space requirements:

1. Secure long term control over UMMA’s space. UMMA is vulnerable to losing its current location, which it only controls through June 30, 2016;
2. Minimize UMMA’s occupancy costs;
3. Relocate the fine arts storage from the stream level to the top floor to ensure appropriate climate and stewardship.
UMMA is seeking to renew the lease for its current space for an additional 15 years with two additional five year options. Further UMMA wishes to secure additional fine arts storage space. This additional space will alleviate current overcrowding of the art work and allow UMMA to utilize best practices in storing the most valuable works of art by increasing art storage capacity to meet the current and future growth of the collection.

UMMA currently enjoys a below market lease rate paying approximately $20,000 annually for its space of approximately 12,212 gross square feet. This is approximately $1.65 per square foot in base rent. After careful consideration of local lease market rates and an assessment provided by Corporate Finance Associates (CFA) of Portland, Maine, a proposed term sheet was drawn up for review and approval by EMDC. The University wishes to complete the lease agreement by July, 2014 in order to secure UMMA’s future in downtown Bangor. The Art Museum has become an important educational hub stimulating economic development, visibility, and access to the University and University faculty.

The additional cost to the University for the lease and utilities will be covered by one time funds in FY2015 and annually adjusted into the Art Museum’s base budget in subsequent years as required. The square footage rates as negotiated remain below market value for Class A and B space in the Bangor area.

It is expected that the University will incur a one-time cost to improve the space. The capital improvement will provide a contained environment with proper climate controls and is expected to cost approximately $210,000. This will be funded with one time funds from the University. In addition, the art museum will contribute up to $200,000 from its restricted funds to add in a rolling rack storage system. These funds have been set aside by the museum for this purpose in order to ensure proper preservation of the art work. Combined, these upgrades are intended to meet the long-term storage and stewardship needs for the growing collection.

Trustee Moody requested contingencies on the lease to cover repairs to the roof. Ms. Waldron replied that UM will be happy to pursue this; however, UM feels the proposed lease is likely the best option.

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Finance/Facilities/Technology Committee authorized the University of Maine System to enter a lease for 15 years beyond its current term plus optional extensions and to expand by approximately 2,000 square feet the amount of space in its lease at Norumbega Hall in Bangor to house the University of Maine Museum of Art subject to review and approval of final terms and conditions by the Treasurer and General Counsel, as amended to include the square footage offset.

**Bond Projects Approval Increase, UMM.** Mr. Chip Gavin, System Director of Facilities Management and General Services, and Mr. Tom Potter, UMM Chief Financial Officer, explained that the University of Maine at Machias anticipates increases in the cost of the recently approved Powers Hall Exterior and Masonry renovation project. The cost of the roof portion of this project and previously unknown hazardous material abatement will increase the cost of this project.

The University of Maine at Machias pursuant to Board of Trustee Policy 701 requests to increase the scope and approved maximum expenditures for the existing Powers Hall Masonry and Exterior
Repairs and associated expenses by $828,221 to $1,508,221. Per Policy 701, the expenditure approved by the Board for a project may not be exceeded without the advance approval of the Board, except that variations of up to 10 percent may be approved by the Chancellor. The change in this case exceeds 10 percent, so the matter is returned to the Board for consideration. This project will rehabilitate the failing exterior of Powers Hall at UMM.

At the Finance, Facilities and Technology Committee meeting on January 6, 2014, the Committee approved the expenditure of up to $680,000 for the repair of the masonry and exterior of Powers Hall, a primary campus building at Machias. Subsequently, in the design process, testing of exterior building caulking revealed the caulking around the perimeter of the windows contained an unacceptable level of PCB content. This was unexpected. Per US EPA regulations, abatement of the PCB containing caulking must be done to eliminate an environmental health risk.

PCBs were used as a plasticizer in caulking and in elastic sealant materials, primarily from 1950 through 1978. The caulks/sealants were used in windows and associated window systems, door frames, stairways, masonry columns and other masonry building materials. PCBs were not used in these materials after 1978. Consistent with U.S. Environmental Protection Agency (USEPA) guidelines, PCB containing caulking has a PCB content of equal to or greater than 50 parts per million (≥ 50 ppm). At this level, the caulk containing PCBs is not an authorized use under the PCB regulations and must be removed. When removed, these materials are considered a controlled hazardous waste material under the Toxic Substance Control Act (TSCA).

The cost of removal is estimated by the environmental engineer to be $546,500, plus approximately $58,000 in engineering fees. These abatement costs take advantage of certain synergies with the masonry project. The abatement costs will be higher if they are done independently. Additionally, the lowest bid for the masonry restoration itself was higher than estimated at $800,393. This is $120,393 greater than the previously approved funding level.

The $1,508,221 cost would be funded with $600,000 in voter-approved bonds, $80,000 in campus resources and up to $828,221 in System E&G emergency reserves. This updated project total includes a contingency of approximately 6 percent of the total project cost. While originally approved within the authority of the Finance, Facilities and Technology Committee, this update now requires approval by the Board of Trustees per Board policy.

Currently, Powers Hall is fenced off around the perimeter to protect students and University employees from falling debris due to flaking or spalling. Without rehabilitating the masonry veneer, this problem will continue and get worse. The deterioration of the masonry already is accelerating. If the PCB-containing caulk is removed from the joints, lintels and precast concrete without re-pointing, the deterioration will accelerate at a much faster rate, creating more damage and increasing future masonry restoration cost.

On a motion by Trustee Fournier, which was seconded by Trustee Turner, the Board of Trustees approved the expenditure of up to $1,508,221 for the repair of the masonry and exterior of Powers Hall at the University of Maine at Machias, including up to $828,221 in System E&G emergency reserves.

**INFORMATION ITEMS**
The following items were included in the agenda for information only:
EXECUTIVE SESSION
On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Board of Trustees meeting went into Executive Session under the following provisions:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment and duties.
- 1 MRSA Section 405 6-D to discuss planning for negotiations and communications with AFUM, UMPSA, COLT, Police, PATFA, and Service and Maintenance Units.

On a motion by Trustee Mitchell, which was seconded by Trustee Murphy, the Board of Trustees concluded the Executive Session.

Confirmation of Board of Visitors Appointments. On a motion by Trustee Mitchell, which was seconded by Trustee Murphy, the Board of Trustees approved the Board of Visitors appointments, as presented with the exception of the list of proposed Board of Visitors for USM which will be deferred to the July Board meeting at the President’s request.

Awarding of Tenure, USM. On a motion by Trustee Johnson, which was seconded by Trustee Mitchell, the Board of Trustees approved granting of tenure to the incoming Dean of the College of Arts, Humanities and Social Sciences and the Dean of the College of Science, Technology and Health upon their leaving the dean position and assuming full-time faculty positions.

Awarding of Tenure, UM. On a motion by Trustee Fournier, which was seconded by Trustee Murphy, the Board of Trustees approved granting of tenure to the incoming Dean of the College of Liberal Arts and Sciences at the University of Maine upon leaving the dean position and assuming a full-time faculty position.

Chancellor’s Review. On a motion by Trustee Fournier, which was seconded by Trustee Mitchell, the Board of Trustees agreed to extend the term of appointment for James H. Page as Chancellor by two years, resulting in an appointment term ending on June 30, 2017.

DATE OF NEXT MEETING
The next meeting of the Board of Trustees will be held on July 21, 2014 at the University of Maine System.

Adjournment

Ellen Doughty for
Tracy B. Bigney, Clerk