Board of Trustees Meeting


Absent: Kevin McCarthy, Victoria Murphy, and James Rier, Jr.

Sunday, November 17, 2013

Trustee Collins, Chair, called the meeting to order and President Foster welcomed everyone to the University of Maine at Farmington.

ACCEPTANCE OF MINUTES
On a motion by Trustee Baker, which was seconded by Trustee Fournier, the minutes from the following meetings were unanimously approved as presented:
- September 5, 2013 – Finance/Facilities/Technology Committee Meeting
- September 5, 2013 – Human Resources & Labor Relations Committee Meeting
- September 23, 2013 - Board of Trustees Meeting
- September 23, 2013 – Faculty & Student Representatives Session
- September 25, 2013 – Investment Committee Meeting
- October 30, 2013 – Finance/Facilities/Technology Committee Meeting
- October 30, 2013 – Academic & Student Affairs Committee Meeting
- October 31, 2013 – Audit Committee Meeting
- October 31, 2013 – Human Resources & Labor Relations Committee Meeting

COMMITTEE REPORTS/ACTION
Academic & Student Affairs Committee – Trustee Johnson reported that the Committee met on October 30, 2013. The Committee forwarded the following items to the Consent Agenda for the November Board meeting: Tenure Nomination for the School of Law, a New Academic Program for UM – Ph.D. in Communication, the Student Conduct Code – Revision, the Awarding of Academic Degrees, and the International Study Centers Update and Discussion of Next Steps related to International Recruitment. The Committee received an update on the 5/12 guidance from the Board of Trustees and Campus Actions, the Fall 2013 Enrollment Report, the Adult Baccalaureate Completion/Distance Education (ABCDE) Committee, and the Credit Transfer Steering Committee.
Audit Committee – Trustee Adams reported that the Committee met on October 31, 2013. The Committee discussed the FY2013 Annual Financial Report. The UMS ended FY2013 with a “bottom line” or Income Before Other Changes in Net Position of $4 million, down from $16 million in FY2012. Other Changes in Net Position contributed an additional $24 million, for an increase to Total Net Position of $28 million (or a 3% increase) for the year. Representatives from Berry Dunn, McNeil & Parker discussed the significant areas included in the financial statement audit. These included: cash and investments, including deposits with bond trustees; receivables and revenues; facilities and indebtedness; payroll and related accrued expenses; and accounts payable and related expenses. The UMS adopted new Governmental Accounting Standards Board (GASB) pronouncements during FY2013 which modified the requirements for component unit inclusion in the financial statements; therefore, only the University of Maine Foundation is included in the financial statements and not the UM Pulp and Paper Foundation. In addition, standards now require that the UMS refers to Net Assets as Net Position. Berry Dunn also provided the publication, *The Financially Sustainable University*, which has been forwarded by email to the Trustees. The Committee received an update from Ms. Janet Waldron, Senior Vice President for Administration & Finance at UMaine, regarding progress made on a vacation time reporting issue. She stated that controls have been put in place and management will continue to monitor this area.

Finance/Facilities/Technology Committee – Trustee Norman Fournier reported that the Committee met on October 30, 2013. The Committee forwarded to the Consent Agenda for the November Board meeting with the Authorization to Lease Space in Augusta for USM and the Stewart Commons Studio Art/New Media Complex Adjustment at UM. The Committee also reviewed the FY2013 Annual Report on Gifts, Fund Raising and Endowments; the Capital Projects Status Report; an update on the Facilities Management Administrative Review and a briefing on the Theft of Keys at USM and the follow up actions.

Human Resources & Labor Relations Committee – Trustee Marjorie Medd reported that the Committee met on October 31, 2013 to review the Presidential Recruitment and Responsibilities including changes to the Board of Trustee Policy 204 – *Appointments and Responsibilities, the Procedures for the Recruitment and Selection of Presidents* and the Charge to the Presidential Search Committee. These documents were included for information in the November Board meeting materials.

Investment Committee – Trustee Eleanor Baker reported that the Committee met on September 25, 2013. Representatives from CAPTRUST Financial Advisors reviewed the proposed Investment Policy Statement (IPS) for the Defined Contribution Plans. The Committee approved the IPS which describes goals and objectives, roles and responsibilities, approved asset classes, the investment selection and evaluation process, the process for replacing investment options, and the Self-Directed Brokerage Account option. The IPS will be utilized once the Defined Contribution Plans migrate to the new single vendor approach and consolidated fund line up structure. The timing of the migration is subject to resolution of related collective bargaining matters. The Committee approved the appointment of Mr. James Geary to a three-year term as a Non-Voting, Non-Trustee member of the Investment Committee effective September 25, 2013. Mr. Chris Robinson’s term on the Committee has ended and the Committee thanked Mr. Robinson for his dedication and contributions to the Investment Committee. Representatives from New England Pension Consultants (NEPC) provided a market and investment manager update and briefed the Committee on investment performance to date. NEPC reviewed one of
the System’s hedge fund managers (Blenheim) given recent performance and a decline in assets under management. NEPC will perform additional due diligence with this manager and follow-up with the Committee at the next meeting. NEPC discussed large cap managers due to recent performance, organizational changes and portfolio changes. The efficiency of this asset class was discussed including the challenge of adding value above the index. The Committee instructed NEPC and staff to initiate a search for index managers and to move forward with the transition. Actuarial valuation results for the Defined Benefit Plan for FY2013 show a funded ratio of approximately 85%, down from a funded ratio of 97% in FY2011. NEPC will perform an asset allocation review to consider what opportunities may exist for increasing the funded status of the Plan.

CONSENT AGENDA
On a motion by Trustee Collins, which was seconded by Trustee Baker, the items on the Consent Agenda were unanimously approved by the Board of Trustees as follows:

The following agenda items were forwarded by the Finance/Facilities/Technology Committee to the Consent Agenda from its meeting on October 30, 2013:

- **Stewart Commons Studio Art/New Media Complex Adjustment, UM.** The Board of Trustees authorized an increase to $10,342,000 in the budget for the Stewart Commons Studio Art/New Media Complex Project (#5100239) at the University of Maine, with the cost being funded by gifts.

- **Authorization to Lease Space in Augusta, USM.** The Board of Trustees authorized the University of Maine System acting through the University of Southern Maine to lease approximately 11,239 square feet at 14 Chestnut Street in Augusta, Maine for a period of five years, with the option to renew for one additional five year term and to terminate its lease at 45 Commerce Drive in Augusta. The final terms, including rate, associated costs and other terms, shall be negotiated by the University of Southern Maine in the best economic interest of the University, subject to review and approval by the University of Maine System Vice Chancellor of Finance and Administration and General Counsel.

The following agenda items were forwarded by the Academic & Student Affairs Committee to the Consent Agenda from its meeting on October 30, 2013:

- **Tenure Nomination – School of Law.** The Board of Trustees approved the recommendation of the Academic and Student Affairs Committee and granted tenure to Professor Nina Kohn as submitted by the University of Maine School of Law. This appointment will be effective September 1, 2014.

- **New Academic Program: PhD. in Communication, UM.** The Board of Trustees approved the recommendation of the Academic and Student Affairs Committee to create a Ph.D. in Communication at the University of Maine.

- **Awarding of Academic Degrees.** The Board of Trustees approved the recommendation of the Academic and Student Affairs Committee to authorize the awarding of degrees during Commencement ceremonies for the 2013-2014 academic year to those students fully
recommended by the appropriate faculties and the presidents of the respective institutions and/or divisions of the University of Maine System.

**International Study Centers Update and Discussion of Next Steps Related to International Recruitment.** The Board of Trustees endorsed the International Student Recruitment Initiative embodied by the Study Group project as well as the continuing individual campus international student recruitment efforts. Further, the Board directs that interim updates regarding the Study Group project be made by the Vice Chancellor for Academic Affairs to the Academic and Student Affairs Committee in late summer of 2014 and in January of 2015 and that a comprehensive report be submitted to the Board of Trustees in June 2015.

Trustee Turner commented that the additional information that was distributed on the New Academic Program: Ph.D. in Communication at UM was very helpful and answered the questions that were raised during the Committee meeting.

**PRESENTATION AND DISCUSSION ON SHARED GOVERNANCE.** Dr. Susan Hunter, Vice Chancellor for Academic Affairs, and Dr. Robert Rice, Professor of Wood Science at UMaine, lead a discussion on shared governance in the University of Maine System.

Dr. Hunter explained the University of Maine System Shared Governance Statement states:

*Shared governance relates to collaboration in specific areas where the mission of a University is strengthened by the joint participation of administrators and faculty members. Shared governance does not mean everything has to be done by joint efforts or by delegating decision making to faculty members; rather, it is an approach whereby the talents and collective intelligence of the university community are used to make effective and efficient decisions in specific areas.*

She commented that the Board supports governance procedures that are characterized by collaboration between the Board, the administration, faculty, students and staff in communication and decision making. The three major areas in which shared governance plays a role are:

- Academic policies
- Peer review and academic administrative selections
- Budget and strategic planning – desirable to solicit input from all involved groups early in the process and that final decisions are communicated to all parties.

The Shared Governance Statement indicates collaboration benefits the quality of education by creating an atmosphere that fosters trust, enhancing communication and encouraging participation and efficiency. The areas for which faculty have the ultimate authority are the creation of courses and curriculum, devising appropriate assessment, deciding appropriate pedagogy and the changes in pedagogy in response to changing times, and the evolution of technology. Governing Boards have the ultimate decision about program creation or elimination. The Board grants tenure but the process has very substantial administration and faculty involvement through the process.
The Statement on Board Responsibility for Institutional Governance published by the Association of Governing Boards of Universities and Colleges (AGB) identifies some of the current common pressures and constraints facing higher education. These include the following:

- Demographic change in student profile
- Decline in tenure-stream faculty and increase in non-tenure stream faculty
- Fiscal pressures characterized by changes in State funding for public higher education and pressure to rein in tuition increases
- Competitive marketplace and pressure from for-profit institutions
- Accountability demands by the public as well as federal and State officials
- Perceptions about effectiveness of Shared Governance and related perceptions of the pace of change or lack of change
- Focus on jobs and the economy

The AGB Statement reasserts the responsibilities of the various entities and acknowledges the significant responsibility and control of curriculum and pedagogy accorded to the faculty. It also states that even in lengthy, consultative processes, no single group or individual can be allowed to stall the progress through inactivity and in situations where resource allocation is anticipated, the Statement is explicit in stating the need for senior leadership to create a process for decision-making that includes consultation, clear and explicit criteria, and communication with constituent groups.

Dr. Hunter stated that she feels that part of the tension is because the faculty often want more time to analyze resulting in a lengthy decision-making process. However, with very real fiscal constraints and a global economy there is a need to be more nimble. There is a great deal of competition from the for-profit institutions without a tenure structure. She views a realistic goal would be to adapt Shared Governance to get to decisions more quickly, adopt a more competitive view of the marketplace, and adjust internal process to meet a new timetable.

Dr. Rice referenced the following points from the Statement on Governance of College and Universities formulated by the American Association of University Professors, the American Council on Education and the AGB:

- The interests of all [Boards, administrators, and faculty] are coordinated and related;
- Unilateral effort can lead to confusion or conflict;
- Essential to a solution is a reasonably explicit statement on general educational policy;
- Operating responsibility and authority, and procedures for continuing review, should be clearly defined in official regulations; and
- The Statement on Governance is intended to be a guideline, not a cookbook.

In this Statement on Governance it outlines Governing Boards authority includes: endowments, procurement of capital and operating funds, broad personnel policy, establish overall policies and procedures and overall authority within the confines of the charter. It states the faculty authority includes: the curriculum or professional authority, subject matter and methods of instruction, research, faculty status, and areas of student life that are related to the education process. Shared authority should include long range planning, decisions on buildings and facilities, resource allocation and short and long range priorities.
Dr. Rice talked about effective Shared Governance for higher education institutions should include the faculty and student governance organizations as well as citizen governance. The AGB defines specific principles in maintaining accountability and autonomy in the public trust for Boards as follows:

- The Board has primacy over individual members;
- The Board respects the importance of institutional mission;
- The Board acts as both buffer and bridge;
- Board members will exhibit exemplary public behavior;
- The Board keeps academic freedom central.

Following Dr. Hunter’s and Dr. Rice’s remarks, there was a lengthy discussion on Shared Governance facilitated by Mr. David Stevens, Executive Director of Organizational Effectiveness.

**Monday, November 18, 2013**

**CITIZEN COMMENT**
Citizen Comment is a time regularly set aside for comments from the public. The following individuals spoke during the Citizen Comment period:

Ron Mosley – Shared Governance

**CHAIR’S REPORT**
Trustee Collins commented that he felt the dialog on Shared Governance with the faculty, Trustees and the Administrative Team was excellent and he is looking forward to more productive dialog with the faculty and the student representatives. In the future these discussions may move to the Academic and Student Affairs Committee.

Trustee Collins stated that during the meeting today there will be a mixed bag of news. Certainly the financial challenges facing the UMS are sobering and the financial gap between revenue and expenses is significantly impacted by the overall decrease in enrollments by 2%. There are some areas of good news with a couple of the campuses with an increase in enrollments with an increase in enrollments. Trustee Collins referenced a report by Bain and Company on *The Financially Sustainable University* which stated the percentage of the national average median family income spent on education went from 23% in 2001 to 37% in 2010. Therefore, the UMS cannot ask the families of Maine to spend more on higher education. The UMS will need to do business more efficiently and effectively to be more sustainable. The System will also need to continue to foster better relationships and engagement with all of the UMS constitutes.

Trustee Collins explained that he has asked several Trustees to serve as an advisory role to review and audit the strategic changes taking place, understanding the obstacles facing the UMS, and allowing the education and business cultures to benefit from each other’s perspective. The Trustees who have agreed to serve are: James Erwin, Mark Gardner, Michelle Hood and Karl Turner. It is anticipated that this Committee will meet monthly by phone. Mr. David Stevens, Executive Director of Organizational Effectiveness, will be assisting the Committee. It is anticipated that through this Committee the UMS will be able to measure and audit the structural changes that are required to meet our goals to provide an affordable, quality education and an education that every UMS graduate will be proud of which is the best marketing and branding tool available.


**CHANCELLOR’S REPORT**

Chancellor Page provided an update on the following topics:

**Resolution for J. Kelley Wiltbank**

On a motion by Trustee Collins, which was seconded by Trustee Johnson, the Board of Trustees approved the following resolution for J. Kelley Wiltbank for his 11 years of service as the Clerk of the Board of Trustees:

Whereas, J. Kelley Wiltbank has served with distinction as the University of Maine System Counsel since 1998 and the Clerk of the Board of Trustees since 2002;

Whereas, Kelley was asked to serve as the Clerk by former Chancellor Joseph Westphal, with the understanding that he would only hold the position for a year. Kelley has continued that service for 11 years;

Whereas, Kelley has worked with Board members, Chancellors and Presidents to make the Board meetings productive and effective. Meeting formats have changed significantly to meet the needs of each Board and Kelley has always been very flexible when inclement weather, unavailability of members, or last-minute agenda items have created a need to change plans.

Whereas, Kelley works effectively with everyone and respects all people and viewpoints. He is always quick to point out that we work in an environment where everyone is invested in the success of the University of Maine System and its students;

Whereas, Kelley has worked collaboratively with Ellen Doughty, the Administrative Coordinator for Board Operations. Over the years, they have worked as an excellent team, quietly creating the setting for the effective work of the Board;

Whereas, Kelley has left the position of Clerk of the Board as of November 15, 2013 to focus his responsibilities as General Counsel so that he may manage an ever-increasing number of regulatory matters and compliance issues;

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 Kelley Wiltbank for his outstanding contributions to the quality of higher education in Maine.

Approved on the 18th day of November 2013, by the Maine System Board of Trustees, acting as stewards of Maine’s public universities and their nearly 40,000 students, 5,000 employees and more than 120,000 living alumni.

**Legislative Update**

Mr. Ryan Low, Executive Director of Governmental & External Affairs, provided a Legislative Update. Mr. Low stated currently the major focus for the legislature is the budget. There is some momentum around a Research and Development Bond. The Legislative Council has considered bills for the second session and there are a few bills that would impact the UMS. Mr. Low commented that there was only eight weeks for this past bond campaign and he expressed his thanks to everyone for their assistance with the bond efforts, particularly the Presidents, the students, the Maine Chamber of Commerce, the UMaine Foundation and the USM Foundation.
Muskie School Update.
Mr. David Flanagan from the Muskie School of Public Service Board of Visitors presented an overview of the Muskie School and their recent External Review Report. Other Muskie School guests present were: Mr. Richard Barringer, Senator Peter Mills, Dean Joe MacDonnell, and Mr. Charles Micoleau.

The Muskie School has the largest research portfolio for the University of Maine System at $22 million. The Muskie School External Review Report key recommendations include the following:

1. Attract out-of-state students
2. Employ state-of-the art technology to reach a wider audience
3. Offer combined undergraduate/graduate programs
4. Indirect cost recovery
5. Increase faculty research
6. Cross-college courses
7. Increase interdisciplinary programs
8. Reshape the faculty
9. Consolidate sponsored research within the college under one administrative unit
10. Make the Dean responsible for revenue and expense

USM President Theodora Kalikow thanked the Muskie School Board of Visitors for their efforts to develop the External Review Report. She stated the Muskie School has done exemplary work and is a model of engagement for all of the external review boards. The Muskie School has been a resource for the State of Maine, honors the legacy of a great Maine citizen and has done incomparable service. She explained that USM is responding to the report by the following initiatives:

1. Moving some of the USM personnel from being subsidized through grants and contacts to E & G funding. A total of $300,000 has been moved from the budget to fund these employees through E & G.
2. The 3 plus 2 program has been renamed to Accelerated Admissions. This is an accelerated admission program for undergraduate students to move directly into graduate programs.
3. The Chancellor has allocated $20,000 for a pilot project to take the Muskie program State-wide to new modalities.
4. USM is in the final stages of negotiations on the indirect cost return.
5. USM agrees with the statement in the report for the need for interdisciplinarity, consolidating programs, making structural changes, and reconfiguring the faculty to deliver education in new ways.

Chancellor Page thanked the Muskie School Board of Visitors for their report and stated that UMS is working to address of the issues raised in the report.

BOV Engagement
Chancellor Page explained that the Ad Hoc Committee on Board of Trustee (BOT) / Board of Visitors (BOV) Engagement met on November 6, 2013. The Committee members are: Dana Saucier (UMFK BOV), Tony Payne USM BOV), Miles Theeman (UM BOV), Trustee Norm Fournier, Trustee Victoria Murphy, President Cindy Huggins, Chancellor James Page. Under the University of Maine System statutes the purposes of BOVs are:
• To advocate for the university
• To raise private funds for the university
• To advise the president of the university on community and regional needs
• To review for final recommendation to the Board of Trustees tuition increases, new academic programs and the 5-year plan of the university.
• To submit an annual report of its activities to the Board of Trustees

The Committee made the following recommendations:

1. BOT Minutes and communications of specific interest to BOVs should be distributed to BOVs following every BOT meeting. Likewise, BOV Minutes and communications of specific interest to the BOT should be sent to the BOT Clerk following every BOV meeting for appropriate distribution.
2. The BOT sponsor an annual retreat with representatives of each BOV. The agenda should include both: (1) intra-BOV opportunities for mentoring, shared learnings and best practices (reflecting that different BOVs have different experiences and are in different stages of their developments); and (2) BOT/BOV have interactions to discuss, comment and advocate for both existing and proposed strategic and statewide UMS priorities.
3. The BOT should communicate strategic priorities and actions to all BOVs no less than annually.
4. BOT meetings on a campus should include a scheduled meeting with the BOT and local BOV to discuss items of importance including strategies and initiatives. Social interactions with BOV members at, e.g., trustee dinners should continue.
5. Annual BOV reports should be delivered by BOV representatives and discussed as part of the regular BOT agenda, as opposed to being included for information purposes only.
6. The Chancellor's office will continue to invite and encourage BOV participation at important community and legislative occasions.

The staffing responsibilities for these and related actions will lie with the recently reconfigured Clerk of the Board office.

Chancellor Page commented that the UMS has short term and long term issues. Achieving the short term goals is going to require substantial change in addition to what the UMS has already put forward. Chancellor Page described the UMS environment partitioned three ways:

1. The organization must right-size to its mission and to its resources. He feels it would be an error to look at the numbers is isolation because the challenges are not uniform across the System.
2. While the UMS is right-sizing, it may also have to increase resources and sustain initiatives where they are working. The UMS has to be prepared to invest.
3. Emerge from the short-term drivers with a System thriving and prepared to meet its mission and vision responsibilities to the people of Maine.

Chancellor Page commented that there are many strategies and there are questions on how these strategies need to be augmented and supplemented and the UMS will be held accountable to them. It is going to be a transformative change process. There are areas where the UMS can grow as shown by UM and UMFK. There are also areas where the UMS can gain market share. The UMS also needs to be realistic and not burden campuses with unrealistic expectations. The financial analysis is sobering and it is a picture of what will happen if the UMS doesn’t take
action. Chancellor Page stated that some of the Trustees have been asked to work as an advisory group to audit and assist with this strategic change process.

**VICE CHANCELLOR FOR ACADEMIC AFFAIRS’ REPORT**
Dr. Susan Hunter, Vice Chancellor for Academic Affairs, reported that the Chief Academic Officers met on November 14, 2013 at the University of Maine at Presque Isle. One of the points identified by the Chief Academic Officers was the need for timely data and information and the lack of staff to provide this on the smaller campuses. Therefore, Mr. Nathan Grant from the System Institutional Research Office has begun creating System-wide data analyses. There still may be elements that need to come from campuses, but this is a step forward and will certainly permit the UMS to move faster and only call on campus resources when it is not possible to gather information from the MaineStreet system.

Dr. Hunter stated that there is no doubt that the UMS will have to make some significant decisions regarding the scope and scale of our academic enterprise. The Chief Academic Officers will be devising a System-wide plan and timeframe that includes faculty input, identifies potential savings, and makes recommendations regarding some proportion to reinvest in academic programs and some proportion to commit to the structural gap.

A Cost Summit sponsored by the New England Board of Higher Education (NEBHE) was held in Boston in October. There was good representation from the System Office and several of our campuses at the Summit. There was a sobering assessment of the overarching financial crisis facing the higher education sector of the economy, both regionally and nationally. One of the speakers at the Summit was from Bain and Company and she commented that if she had been addressing a group of upper level executives from the private sector and knowing the fiscal situation before us, she would have been looking at a group of individuals going through bankruptcy and consolidation.

**Fall Enrollment Report.** Ms. Rosa Redonnett, Chief Student Affairs Officer, provided a preliminary update on the status of enrollment for Fall 2013. Some of the highlights from the Enrollment Report indicated the total headcount declined 2.1% from last year due to a 4.7% drop in graduate headcount and a 1.7% decrease in undergraduate head count. The undergraduate headcount was up at two of the seven campuses (UM & UMFK) and the total headcount is down 9.4% from 2009. Total credit hours are down 4.8% from 2009. The credit hour declines are primarily due to declines in associate degree students, down 24.3%, and non-degree undergraduate students, which fell 18.8%, since 2009. Baccalaureate students compose 84.5% of all credit hours, declining 0.7% from 2012. Graduate credit hours fell 9.3% and law credit hours declined 2.2% from the previous year.

**VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION & TREASURER’S REPORT**

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

Managed Investment Pool (including Endowment Fund)
In September the fund grew by 3.8% and fiscal year-to-date the fund has grown 4.9%. The market value on September 30, 2013 of the Managed Investment Pool (MIP) is $244.8 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 September the fund grew by 4.0% and fiscal year-to-date the fund has returned 4.7%. The market value on September 30, 2013 of the Pension Fund is $39.8 million.

Operating Fund
In September the Operating Fund grew by 0.8% and fiscal year-to-date the fund has returned 1.2%.

FY2014 Forecast as of October 31, 2013. Dr. Wyke explained that as of October 31, 2013 the UMS is forecasting an unrestricted operating increase of $167 thousand for FY2014. It should be noted, however, that this includes the current $334 thousand in temporary investment income above budget.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Net Increase (Decrease)</th>
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<tbody>
<tr>
<td>UMaine</td>
<td>$1,329 Million</td>
</tr>
<tr>
<td>UMA</td>
<td>(570) Thousand</td>
</tr>
<tr>
<td>UMF</td>
<td>197 Thousand</td>
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<tr>
<td>UMMF</td>
<td>1 Thousand</td>
</tr>
<tr>
<td>UMMF</td>
<td>(575) Thousand</td>
</tr>
<tr>
<td>UMFK</td>
<td>(549) Thousand</td>
</tr>
<tr>
<td>USM</td>
<td>0</td>
</tr>
<tr>
<td>System-wide Services</td>
<td>0</td>
</tr>
<tr>
<td>Temporary Investment Income</td>
<td>334 Thousand</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$167 Thousand</strong></td>
</tr>
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Major factors impacting this forecast are as follows:
- The temporary investment income budget is $2.8 million. Based on information available as of October 31, UMS has realized total income of $3.134 million net of expenses for a total budget-to-actual positive variance of $334 thousand. This forecast reflects only the gain realized thus far and does not include any projections for future gains or losses.
- Average UMS full-time equivalent (FTE) enrollments for Fall 2013 were 1.8% (414 FTE) below budget. Enrollments were above budget at UMaine (3.7% or 336 FTE) and UMFK (5.9% or 45 FTE) but below budget at the remaining 5 universities.
- Average residence hall occupancy for Fall 2013 was 0.7% (45 students) below budget. As with enrollments, residence hall occupancy was above budget at UMaine (6.1% or 204 students) and UMFK (3.8% or 8 students) but below budget at the remaining 5 universities.
- UMA, UMM, and UMPI are currently projecting year-end deficits resulting from lower enrollments. Campus expense budgets are being reduced to partially mitigate the loss of student revenues. UMA and UMPI have sufficient reserves to offset these deficits, if realized.
- Although USM is currently projecting to break even, it will be a real challenge to achieve the savings necessary to meet this forecast as enrollments are below budget. UMF has implemented its milestones plan to reduce saving in pre-determined areas and to defer the investment of $1.2 million in capital project funding to offset the impact of reduced enrollments.
- As UMaine’s enrollment grows, careful consideration is being given to the need for faculty hires in strategic and signature program areas, increased merit and need-based financial aid funding, as well as the continued funding need for admissions marketing in out-of-state regions for both undergraduate and graduate enrollment.

**Multi-Year Financial Analysis FY2015 – FY2019.** Dr. Wyke reviewed the Multi-Year Financial Analysis for FY2015 to FY2019. The purpose of this planning process is to consider the underlying financial conditions that face the System and the impact of alternative action steps that may address projected shortfalls in the future. This report is intended only to further the conversation that must occur within our University community and within the State to ensure that the University of Maine System is able to meet the needs of Maine and its citizens for decades to come. Like any projection and analyses, the Multi-Year Financial Analysis is impacted by the assumptions that are incorporated and the imperfect ability to predict the future. At a high level, it represents a valuable tool to understand how the major components of the budget can be manipulated to find a balance; however, it is important to note that actual applied application of any of these strategies will yield varying results.

Dr. Wyke presented an initial forecast called the Current Trend Multi-Year Financial Analysis and described the assumptions, the expense drivers and the revenue drivers. This model results in a projected structural gap of $87 million in FY2019.

She then presented a Dynamic Trend Projection with different assumptions for compensation increases, growth in health care costs, tuition and appropriation. This model reduced the projected structural gap to $60 million.

Finally she described the change that would be needed in each individual factor (appropriation, tuition, enrollment, capital renewal commitment, and workforce) to eliminate the structural gap.

**DISCUSSION ON BOARD OF TRUSTEES RETREAT ACTION ITEMS REPORTS.** Chancellor Page stated that as a result of the discussions at the Board of Trustees Retreat in October, there were seven deliverables which are as follows:

1. Endorse and support expanded student profile
2. Deliver vision/future State description
3. Endorse new Goals and Actions with a marketing message or marketing plan
4. Endorsement of $12-15 million investment commitment linked to the System savings goal (i.e. 50% instead of a dollar value) including a time frame
5. Complete System Chart with Key Performance Indicators/Goals
6. Draft Strategic Communication plan
7. Board of Trustees and the Presidents Council endorsement of the above 6 deliverables

Chancellor Page outlined the specific actions for each of the deliverables as follows:
Endorse and Support Expanded Student Profile
- Expand core student profile to include adult and non-traditional students; a resolution is on the agenda for this Board meeting for Board consideration.

Deliver Vision/Future State Description, Endorse New Goals/Actions and Complete System Chart with Key Performance Indicators/Goals
- Development of a Trustee level vision and a Trustee Charter around a Strategic Change Package and a mapping of the outcomes.
  - The Trustee Strategic Change Package has been reviewed by the Presidents’ Council and articulates the three traditional mission categories of education, research and economic development and public service. In its current form it identifies the following:
    - 10 outcomes or 10 ways of assessing for mission success in those categories.
    - Out of the 10 outcomes there are 14 quantifiable goals.
    - Out of the 10 outcomes and 14 goals are 20 strategies of which 17 are already under way and the remaining three will be identified in the first quarter of 2014.
  - The Chancellor will work will individuals on the Board and the Presidents’ Council to further develop the current draft of the Trustee Strategic Change Package. The final version will be presented to the Board for approval. The Change Package will set strategies, goals and deliverables in terms of quantity, quality and time.

Endorsement of $12-15 Million Investment Commitment Linked to System Savings Goal including a Time Frame
- This was a discussion around investment and the Board felt it was important to invest in signature programs and initiatives which will serve the UMS core mission and will allow the UMS to invest in areas with a significant return.

Draft Strategic Communication Plan
- Development of a strategic communication and marketing strategic. This has not been developed but work will begin in the near future.

Endorsement of the Other Deliverables
- Endorsement of the Board for all of the above deliverables.

Chancellor Page stated that the goal of these deliverables is to establish a process and set targets and deliverables through which the UMS will receive the short term goal of closing the structural gap while meeting the enrollment challenges and long term goals for mission success. As the first step in meeting these deliverables, the Chancellor proposed the following resolution to change the core student profile to include adult and non-campus based learners.

Changes in Core Student Profile
On a motion by Trustee Johnson, which was seconded by Trustee Hood, the Board of Trustees recognizes its responsibility to serve the educational needs of all Maine citizens, confirms the evolution in the UMS’ core student profile to include adult and non-campus based learners, and
directs the System to review and act on policies, practices and operating procedures to better serve the needs of all of its students.

**General Discussion**
The Presidents provided a brief outline of their enrollment strategies. This was followed by a general discussion on enrollment management and the Strategic Change Package.

**ACTION ITEMS**

**Annual Financial Report.** Ms. Tracy Elliott, Director of Finance and Controller, reviewed the Annual Financial Report. The fiscal year 2013 (FY2013) draft Annual Financial Report was reviewed by the Audit Committee meeting on October 31st. The University of Maine System ended FY2013 with Income Before Other Changes in Net Position of $4 million. Other Changes in Net Position contributed an additional $24 million, for an increase to Total Net Position of $28 million (or a 3% increase) for the year. The Total Net Position at June 30, 2013 was $853 million. The $28 million increase from the prior year includes:

- An increase in Net Investment in Capital Assets of $13 million,
- An increase in Restricted Net Position of $8 million and
- An increase in Unrestricted Net Position of $7 million.

Other significant highlights regarding the Annual Financial Report include:

- Operating and Net Non-operating Revenues totaled $673 million for FY2013, down $15 million from prior year. Major revenue sources include Net Student Fees Revenue (36%), State Appropriations (29%), and Grant and Contract Revenue with associated Indirect Cost Recovery at 24%.
- Total tuition and fees were $269 million, increasing $3 million over the prior year.
- Fall 2012 enrollments totaled 22,993 on a full-time equivalent basis (FTE), up 0.3% from the prior fall. Fall 2012 enrollments were 31,012 on a headcount basis, down 0.3% from the prior year. 65% of the student population was enrolled full-time and 85% of students were Maine residents.
- Noncapital State of Maine Appropriations of $194.4 million decreased $3.2 million or 1.6% from the prior year.
- The Managed Investment Pool (including Endowments) experienced a 12.7% net of fees return compared to -2.0% for FY2012. The pooled investments have a 5-year annualized net of fees return of 4.8%. The market value of pooled investments was $234 million at June 30, 2013 and included UMS and affiliates endowments of $133 million. Endowment returns distributed for scholarship and other endowed spending were $5 million in FY2013 and in FY2012.
- The UMS Other Postemployment Benefits (OPEB) Trust was established in FY2009 and is invested in the Managed Investment Pool. The OPEB Trust held $73 million at June 30, 2013, up $20 million from the prior year balance. On October 1, 2013 the UMS sent $2.5 million to the OPEB Trust to fund the FY2013 year-end liability.
- UMS earned operating investment income of $9.6 million in FY2013 with a net of fees return of 3.6% compared with FY2012 income of $4.6 million and a 1.3% net of fees return. Operating investments have a 5-year annualized net of fees return of 2.7%.
• Compensation and benefits expense, at $433 million in FY2013, comprised 64% of all UMS operating and non-operating expenses [74% of the educational and general budget]. Compensation and benefits expense decreased $1 million from FY2012.

• The Statement of Net Position includes capital asset additions, net of retirements, of $36 million and $41 million at June 30, 2013 and 2012, respectively.

• Total bonds and notes payable were $177 million on June 30, 2013, declining a net $13 million from the prior year. During FY2013, the UMS competitively sold $65.2 million in 2013 Refunding Bonds realizing a total net present value savings of over $7.5 million and a reduction in debt service costs of over $600 thousand on average annually from 2014 to 2035.

On a motion by Trustee Medd, which was seconded by Trustee Hadyniak, the Board of Trustees approved the FY2013 Annual Financial Report as presented.

**Confirm Student Representative to the Board of Trustees.** The following nomination was recommended by the President for the appointment of the following Student Representative to the Board of Trustees: Ryan Ouellette, UMPI Student Representative for a one year term effective November 2013 to May 2014.

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Board of Trustees approved the appointment of Mr. Ryan Ouellette as the UMPI Student Representative for a one year term effective November 2013 to May 2014.

**Student Conduct Code: Revision.** Trustee Johnson explained that the Academic & Student Affairs Committee reviewed the revisions to the Student Conduct Code. As a result of the discussions at the October 30, 2013 Committee meeting, subsequent modifications were made and are included in the final draft.

On a motion by Trustee Johnson, which was seconded by Trustee Gardiner, the Board of Trustees approved and ratified the revisions as amended to the Student Conduct Code and the review process.

**DISCUSSION ITEMS**

**UMPI Proficiency Based Learning (UMPI 2020).** UMPI President Linda Schott explained the UMPI Proficiency Based Learning “UMPI 2020” plan. The goal of the plan is to design a personalized, technologically innovative education with every student and prepare each graduate to pursue a career, make global contributions, and engage in lifelong learning. The University of Maine at Presque Isle is an undergraduate institution in rural Maine that:

• nurtures the intellectual and personal development of students who want to own their learning and use it to better themselves, their communities and the world

• supports research-based pedagogical techniques and a campus setting to promote deep learning

• partners with accreditors to set high academic standards for every student and every program

• embraces technological innovation while preserving the power of personal mentoring

• connects to our alumni and regional employers to provide real-world work experience prior to graduation and to connect graduates with employment prospects
- provides educational opportunities for adult and distance learners as well as local community members
- promotes environmental sustainability
- stimulates economic development and enhances the region’s quality of life through research, public service, and cultural and athletic programming.

As part of this initiative, the University of Maine at Presque Isle believes:
- In the transformative power of education to create a just and humane world.
- Education should and can be both affordable and high quality.
- That students learn most when they are challenged and guided by caring faculty and staff.
- That diversities enrich our campus.
- In a healthy balance between our work and our lives outside of work, and we promote and support this balance among all members of our University community.
- In being good stewards of the earth’s resources and is committed to sustainability.
- In celebrating and appreciating hard work, deep passion, and successful accomplishments.
- In using the knowledge, skills and energy of our campus to enrich our community, region, state, nation and world.

Theft of Keys at USM and Follow Up Actions. Dr. Wyke; Mr. Dick Campbell, Chief Financial Officer at USM; Mr. Richard Thompson, Chief Information Officer; and Mr. Chip Gavin, System Director of Facilities Management and General Services, explained the theft of keys at USM and the follow up actions. Due to a theft of keys from a university van sometime during the evening of October 21 or the early morning of October 22, the University of Southern Maine has implemented extensive follow-up actions to maintain the safety of individuals and the security of its facilities and to inform the USM community. The current preliminary cost estimate would not require the project to be considered by the Finance and Facilities Committee or full Board of Trustees. The final cost remains uncertain at this time.

The cost of re-keying at USM will best be known once a solicitation is conducted to complete the necessary work beyond those immediate steps which have been taken to secure the facilities. If the locks and keys were replaced with traditional keys and cores, the estimated cost would be between $200,000 and $400,000. As a specific current plan, projects have been created in the usual process to carry out this work with a total cost estimate of $350,000. The University also is exploring the extent of its insurance coverage.

In addition to the incident-specific response, the University of Maine System is using this as an opportunity to assess the status of building access control systems across the university and to address the issue comprehensively. A dedicated System-wide team will make an assessment and report its recommendations to the Dr. Wyke. The team will make at least an initial report by December 20, 2013.

The ongoing and Trustee-approved software project to adopt and implement an Integrated Workplace Management System tool includes a building access component. Independent of current events, that team is developing a System-wide Standard Operating Procedure to govern the business process of key control and issuance.
INFORMATION ITEMS
The following items were included in the Agenda for information only:
- Presidential Recruitment and Responsibilities
- Capital Projects Status Report
- 2013 Boards of Visitors Annual Reports
- Management Group Appointment Report
- Dashboard Indicators
- Agenda Calendar

EXECUTIVE SESSION
On a motion by Trustee Johnson, which was seconded by Trustee Medd, 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, employment and duties.
- 1 MRSA Section 405 6-D to discuss negotiations and communications with AFUM, UMPSA, COLT, Police, PATFA, and Service and Maintenance Units

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

Honorary Degree Nomination for 2014, UMFK. On a motion by Trustee Medd, which was seconded by Trustee Hood, the Board of Trustees approved the Honorary Degree Nomination for 2014 for UMFK, as presented.

Collective Bargaining Agreement – Associated Faculties of the Universities of Maine, MEA/NEA. On a motion by Trustee Collins, which was seconded by Trustee Medd, the Board of Trustees authorized the Chancellor to sign an agreement with the Associated Faculties of the Universities of Maine, MEA/NEA, if ratified by membership. This settlement occurs in the context of an overall Trustee strategic change package designed to close a significant financial gap while meeting mission responsibilities. This package will emphasize control of benefit costs, rightsizing, and reinvestment. Costs associated with this contract will not be borne by students or their families, but by reductions and efficiencies.

DATE OF NEXT MEETING
The next meeting of the Board of Trustees will be held on January 27, 2014 at the University of Maine System.

Adjournment

Ellen Doughty for
Tracy B. Bigney, Clerk