UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting
at the University of Maine System
February 14, 2014

Finance/Facilities/Technology Committee


Committee Members Absent: Paul Mitchell and Victoria Murphy.

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

FACILITIES ISSUES

Sightlines Report. Mr. Jim Kadamus and Ms. Emily Morris from Sightlines LLC, presented their annual facilities findings. The full report was distributed to the Committee and is available on the Board of Trustees website under the Meeting Agendas and Materials section for the Finance/Facilities/Technology Committee.

Facilities Management Administrative Review Update. Mr. Chip Gavin, System Director of Facilities Management and General Services, and Mr. Ryan Low, Executive Director of Governmental & External Affairs, provided an update on the status of the Facilities Management Administrative Review Project including the Interim Report.

The University of Maine System must achieve the highest cost-effective use of capital facilities, infrastructure and property in order to best support the collective mission of the University of Maine System and its individual campuses. It needs to work to ensure it has the right amount of space, the right type of space, and its space is in appropriate condition. While more research needs to be done to understand details and implications, a current assessment indicates that the University of Maine System today has a seriously aging facility portfolio and more space than it needs for the current and projected size of its total user community, including its student population.

The University of Maine System has fewer users per square foot of space than at any time since it started routinely measuring this information in 2006. The combined changes in enrollment, employment and space have resulted in the University of Maine System having nearly 15 percent fewer users per unit of space than it did in 2007.

To reach the average density of a comparison group of peer public higher education institutions, the University of Maine System would need more than 4,000 additional students or other users, or it would need nearly 1.4 million fewer gross square feet of space, according to third party assessments. This is approximately the same change that would be needed to return to the University of Maine System’s own peak density since at least 2006, which occurred in 2007, according to Sightlines, LLC.
This single data set does not capture every nuance and variable regarding the University of Maine System’s space, but is a robust, consistent and valuable tool for benchmarking the University of Maine System’s space portfolio over time as well as for comparing it with other institutions. As the University of Maine System’s mix of students continues to change and as technology and educational paradigms evolve, the types of spaces the University of Maine System will require also will change. This type of forecasting has not been figured into the Sightlines assessments.

Moreover, regardless of the desirability of the current amount of space, the current multi-year financial analysis indicates the University of Maine System has more space than it can afford to sustain and annual facility assessments have documented that the facility portfolio continues to age and grow more costly.

In the University of Maine System’s peer group, approximately 19 percent of all space is rated as having a renovation age of 50+ years. This age rating is when buildings are most likely to fail and to require more expensive repair and renovation. The facilities with the oldest renovation age also tend not to fit as well with contemporary programming needs. At the University of Maine System (UMS), the amount of space in this same 50+ year renovation age category has grown to approximately 40 percent of all University of Maine System space, approximately double that of the UMS peer group. This is an increase of 38 percent since 2006 when 29 percent of all University of Maine System space was in this 50+ year renovation age category. Since significant facilities expansion occurred in the 1960’s and 70’s that percentage will grow much more quickly over the next decade. Again, there are myriad complexities to this broad finding and it should not be understood to mean that all UMS programs or services need to reduce space or that the current UMS space is sufficient in type and quality.

The space needs of each campus are as unique as the programs which the space supports. There are many non-academic or non-program considerations, as well. Some facilities have historic value that stand apart from any consideration of density and some programs necessarily require more space per students than others. There are the complexities of understanding online course needs and there is always the question of increasing enrollment. The amount of space is hardly the only measure. The University of Maine System requires not only the right amount of space but also the right kind of space to carry out its mission.

The data strongly indicate the University of Maine System has more facility space than it needs or than it can sustain and that existing resources would go further and better support improved facilities if stretched across fewer square feet of space.

The Facilities Administrative Team recommendations are:
- Right-size the facility portfolio to reduce costs and improve the quality of facilities
- Identify and fund the long-term capital needs of the System
- Review current prioritized processes for best practices or improvements
- Benchmark UMS operations and institutionalize selected benchmarks

It is anticipated that these recommendation will be presented at the March Board meeting for Trustee approval.

**Delegation of Authority Matrix Update.** Mr. Gavin presented the revised Delegation of Authority Matrix for the Finance/Facilities/Technology Committee. The update will not propose any change in authority, but will make more clear certain existing authority not reflected in the current matrix.
The disposal of real property by demolition or by sale or other transfer has been added to the matrix. There were no other changes to the other activity levels.

On a motion by Trustee Turner, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee and carried unanimously agreed to forward to the Consent Agenda for the March 23 & 24, 2014 Board of Trustees meeting for approval the adoption of the updated Delegation of Authority Matrix for the Finance/Facilities/Technology Committee.

**Hirundo Lawsuit Settlement Property Acquisition.** Mr. Gavin requested authorization for the acquisition of a forested parcel recently agreed to by the University as part of a settlement to pending legal action.

Coldbrook LLC, a logging enterprise, brought a Declaratory Judgment action against the University and the Hirundo Trust seeking access to property it owns which is completely surrounded by University property, within property commonly known as the Hirundo Wildlife Refuge. The Court granted an easement by necessity and the dispute then revolved around the exact extent of the easement. The nature of the parcel and its intended use was a complicating factor in determining what kind of access could and should be granted via the easement, as the extent of an easement by necessity is determined by what use the parcel could be put at the present and is not limited to any earlier usage.

The lawsuit was settled on December 26, 2013, as the trial was set to begin. As part of that settlement, the University has agreed to provide certain access to Coldbrook LLC until the earlier of the completion of the logging of the parcel and April 1, 2017. After that time, the access will terminate and the parcel currently owned by Coldbrook LLC will be transferred to the University. Both the deed and the purchase price will be held in escrow until that time.

The agreement to acquire the parcel was an unforeseen event and timing was of the essence given the imminent trial and nature of pre-trial settlement negotiations.

As part of the settlement, the University agreed to pay $60,000 for the new parcel. The Hirundo Trust will pay $15,000. It will terminate any disputes as to the existence of an easement and add approximate 58 acres to the 2,400 acre reserve. The $60,000 value is $10,000 greater than the amount delegated to management and requires Trustee approval through the Finance, Facility and Technology committee pursuant to Board of Trustee Policy #801 and the associated delegation of authority matrix.

On a motion by Trustee Medd, which was seconded by Trustee Hadyniak, and carried unanimously the Finance/Facilities/Technology Committee on behalf of the Board of Trustees approved the expenditure of $60,000 for the acquisition of approximately 58 acres in the Hirundo Wildlife Refuge by April 1, 2017 to preserve its integrity and to resolve the related-legal dispute.

**Landfill Gas Project Indefinite Deferral.** Ms. Janet Waldron, UMaine Senior Vice President for Administration & Finance, explained that the University of Maine Landfill Gas Project Development Agreement previously approved by the Board of Trustees beginning in September 2010 is now indefinitely deferred because the University’s private partner has been unable to secure financing. Despite a variety of extensions or amendments since the original agreement was executed between the parties in December, 2010, the lack of financing caused the amended agreement between the University and Casella formally to terminate on January 24, 2014. Casella has expressed its willingness to engage in future discussions should it be successful in identifying an alternative project that is financeable and of benefit to the University.
While the Board of Trustees typically is not advised of projects that are not happening, the circumstances and substantial discussions on this project have prompted this concluding update.


**FINANCE ISSUES**

**Approval of Tuition Pricing for Out-of-State Veterans.** Dr. Rebecca Wyke, Vice Chancellor for Administration and Finance & Treasurer, explained that the University of Maine System currently charges in-state tuition rates to:

- Current active duty members
- Participating members of the Maine National Guard
- Veterans using the Post 9/11 GI Bill

According to the *Student Veterans of America* twenty states have state laws providing student veterans an in-state residency waiver and 8 states provide student veterans an in-state residency waiver by university policy. Another 12 states have legislation pending.

On February 3, 2014, the U. S. House of Representatives passed legislation to extend in-state tuition rates to Veterans who are attending public universities or colleges on the Post-9/11 GI Bill, regardless of whether they have been stationed in a state long enough to establish residency. This legislation is now pending in the U. S. Senate.

In Academic Year 2013, 18 student veterans were charged the out-of-state tuition rate and 1 student veteran was charged the NEBHE rate. Utilizing FY2013 data, if we assume that these 19 students were enrolled full-time, the incremental impact of charging these students the in-state tuition rate would have been $201,448.

<table>
<thead>
<tr>
<th>Campus</th>
<th>O/S Rate</th>
<th>NEBHE Rate</th>
<th>Total</th>
<th>I/S Rate</th>
<th>Total</th>
<th>Difference</th>
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<tr>
<td>UMA</td>
<td>$15,750  (8)</td>
<td>$ 9,750   (1)</td>
<td>$135,750</td>
<td>$6,510   (9)</td>
<td>$ 58,590</td>
<td>($77,160)</td>
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<td>UMF</td>
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<td>$ 8,352 (1)</td>
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<td>($ 9,088)</td>
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<td>UMM</td>
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<td>$ 18,480</td>
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<td>($11,820)</td>
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<tr>
<td>UM</td>
<td>$25,230 (1)</td>
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<tr>
<td>USM</td>
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<td>$ 7,590 (7)</td>
<td>$ 53,130</td>
<td>($86,520)</td>
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<tr>
<td></td>
<td>(18)</td>
<td>(1)</td>
<td>$336,550</td>
<td>(19)</td>
<td>$135,102</td>
<td>($201,448)</td>
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On a motion by Trustee Medd, which was seconded by Trustee Johnson, and carried unanimously the Finance/Facilities/Technology Committee agreed to forward to the Executive Committee for the Board of Trustees a resolution to direct the University of Maine System to charge in-state tuition rates to all current and former members of the US Armed Forces who were honorably discharged, regardless of whether or not they are receiving benefits.

**Outcomes Based Funding Model for FY2015.** Dr. Wyke explained that in the Fall of 2013 the Outcomes Based Funding Model (OBFM) Review Team undertook an assessment of the current model for the purpose of making recommendations for implementation in FY2015. The review included meetings with the leadership of all seven universities, as well as a faculty meeting at the University of
Maine at Machias. Additionally, the recommendations were discussed with the Chief Financial Officers, the Chief Academic Officers, the Presidents Council, and the Administrative Review Steering Committee.

The OBFM Review Team makes the following recommendations for the FY2015 Outcomes Based Funding Model:

**Productivity Metric**

In FY2014 the Productivity Metric was based on a calculation whereby the 3-year average of industry-recognized certificates and degrees per $100,000 of revenue (net tuition & fees and appropriation) was scaled by the 3 year average number of matriculated Full-time equivalent (FTE) students. During the assessment of the OBFM, it was suggested that the scale should be based on either the total FTEs or total credit hours since the tuition and fee revenues in the model included both matriculated and non-matriculated tuition and fee revenues.

**Recommendation:** The Productivity Metric should be scaled by weighted credit hours with associate & baccalaureate credit hours = 1; graduate = 1.5; and law = 2.9 as this weight reflects the graduate & law tuition rates as compared to the undergraduate tuition rate.

**Degree Priority Population Premiums - Socio-Economic Status (SES)**

During the assessment, it was suggested that a component of the model should reward institutions serving socio-economically disadvantaged students.

**Recommendation:** Include SES as a component of the Degree Priority Population premiums using Pell recipients as the proxy. Institutions can receive only one priority population premium per degree.

**Collaboration**

The team also heard during the assessment that there should be some metric to reflect collaboration on degree production.

**Recommendation:** Continue the credit accumulation metric as a proxy for collaboration. (Originally this metric was to be phased out over 3 years).

**Priority Fields**

In the FY2014 OBFM, all institutions selected business as their regional priority field. The Review Team looked at whether business should be recognized officially as a State-wide priority and whether some criteria should be added for the selection of a regional priority.

**Recommendation:** Recognize business as a State-wide priority field and eliminate the regional priority field.

On a motion by Trustee Medd, which was seconded by Trustee Johnson, and carried unanimously the Finance/Facilities/Technology Committee agreed to forward to the Consent Agenda at the March 23-24, 2014 Board of Trustees meeting for approval a resolution to adopt the recommendations for the FY2015 Outcomes Based Funding Model.

**Master Key Loss Response Update – USM and UMA.** Mr. Gavin provided an update on the response to the loss of a set of master keys at USM and a newly reported incident at UMA. Mr. Dick Campbell, Chief Financial Officer at USM, and Ms. Sheri Stevens, Executive Director of Administrative Services at UMA, provided additional information and answered questions.
Refinancing of Callable Bonds. Ms. Tracy Elliott, Director of Finance and Controller, explained that the UMS 2004 Revenue Bonds are callable on March 1, 2014. Calling the portion of the bonds that matures in 2015 through 2017 allows the UMS to achieve net interest savings of approximately $100,000 based on available financing rates of 1%. Management consulted with UMS’s financial advisor to understand the various financing options available and recommends financing the remaining balance internally.

The current amortization, coupon rates and campuses holding the debt follows:

<table>
<thead>
<tr>
<th>2004 Bonds Princ Pymt</th>
<th>Coupon Rate</th>
<th>Grand Total</th>
<th>Total UM</th>
<th>Total USM</th>
<th>Total UMF</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/1/2015</td>
<td>5.00%</td>
<td>$4,430,000</td>
<td>$3,081,000</td>
<td>$1,168,000</td>
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<tr>
<td>3/1/2016</td>
<td>3.50%</td>
<td>530,000</td>
<td>110,000</td>
<td>297,000</td>
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<tr>
<td>3/1/2017</td>
<td>3.50%</td>
<td>550,000</td>
<td>114,000</td>
<td>308,000</td>
<td>128,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$5,510,000</td>
<td>$3,305,000</td>
<td>$1,773,000</td>
<td>$432,000</td>
</tr>
</tbody>
</table>

On a motion by Trustee Hadyniak, which was seconded by Trustee Medd, and carried unanimously the Finance/Facilities/Technology Committee agreed to forward the financing of the debt internally for the portion of the 2004 Revenue Bonds that matures in 2015 through 2017 to the Consent Agenda at the March 23-24, 2014 Board of Trustees meeting.

Adjournment

Ellen Doughty for
Tracy B. Bigney, Clerk of the Board