UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting
at the University of Maine System
October 31, 2014

Finance/Facilities/Technology Committee

Present: Committee Members: Norman Fournier, Chair; Marjorie Medd, Paul Nelson (at USM), Victoria Murphy (at USM) and Karl Turner (at USM). Chancellor: James Page.
Faculty Representatives: Cathleen McAnney and Robert Rice. Student Representatives: Alex Greenlee. System Staff: Tracy Bigney, Tracy Elliott, Chip Gavin (at USM), Cindy Mitchell, Richard Thompson and Rebecca Wyke (at UMA).
Presidents: Cynthia Huggins (at UMM), Wilson Hess (at UMFK), Susan Hunter and Glenn Cummings (at UMA). Other Participants: Ryan Low (at UMA), Stewart Harvey, Dan Stirrup, Jake Ward, John Murphy (at UMFK), Tim Brokaw (at UMA) and Jeff Letourneau.

Committee Members Absent: Samuel Collins and Gregory Johnson.

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

TECHNOLOGY ISSUES

Broadband at UMS and Across Maine. Mr. Jeff Letourneau, Executive Director of Networkmaine, provided an overview of UMS's involvement in expanding access to the Internet for Maine's research and education community and an update on current efforts to promote the installation of fiber based broadband.

FACILITIES ISSUES

Aubert Hall STEM Classroom Renovation, UM. Mr. Ryan Low, Chief Financial Officer at UMaine and Mr. Stewart Harvey, Executive Director of Facilities and Capital Management Services at UMaine, explained the University of Maine requests approval to expend up to $2,700,000 of General Obligation Bond Funds approved by voters in November 2013 to renovate chemistry labs and to make associated improvements in Aubert Hall.

This project will include the creation of two new general chemistry teaching labs with breakout rooms and the renovation of two existing chemistry classrooms and associated areas. This work will likely include remediation and replacement/renovation of flooring, ceilings, wall coverings, structural, HVAC, electrical, lighting, projectors and boards, life safety, furniture, and ADA accommodations. The project also includes limited renovation of lecture hall Room 316 (210 seats), including remediation of asbestos panels and replacement of ceiling, lighting, HVAC, projectors and boards, and life safety. The use of these spaces is primarily for instruction of chemistry with Room 316 accommodating other STEM as well.

This project does not increase the amount of space at UM. It will improve net asset value. The estimated renovation age of this wing of the facility is approximately 58 years and the estimated net asset value stands at approximately 75 percent. A slight decrease in operating costs is expected from new, more efficient air handling equipment and lighting.
The proposed schedule for the project is to complete design during the fall and early winter of 2014 followed by construction from January 2015 through to fall 2015. The work in Room 316 is scheduled for summer 2015, with all project work targeted for completion prior to the start of the fall 2015 semester.

On a motion by Trustee Nelson, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 16-17, 2014 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees approves the expenditure of up to $2,700,000 from the proceeds of General Obligation Bond funds approved by voters in November 2013 to renovate chemistry labs and make associated improvements in Aubert Hall.

**Estabrooke 3rd and 4th Floor Renovation, UM.** Mr. Low and Mr. Dan Sturrup, Executive Director of Auxiliary Services from UMaine, explained that the University of Maine requests approval to expend up to $5,000,000 of Campus Auxiliary Reserves funds to renovate two floors in Estabrooke Hall for student housing. The estimated simple payback on this project is 5 years, based on the estimated $5 million cost and the anticipated $1 million annual increase in housing and dining revenue.

The project includes the renovation of the 3rd and 4th floors of Estabrooke Hall for dormitory use, including residence rooms, bathrooms, lounges, common spaces and associated areas. This work will likely include remediation and replacement/renovation of flooring, ceilings, wall coverings, structural, HVAC, electrical, lighting, life safety, furniture, and ADA accommodations. The renovation of these spaces will address an identified need for additional upper class housing on campus.

The university currently has a shortage of beds on campus given existing student demand. In the fall of 2014, the University was unable to accommodate approximately 185 requests for beds by upper-class students. The renovation of the two floors in Estabrooke will increase the University’s inventory by approximately 99 beds or 53 percent of this unmet demand. The proposed rooms will be premium single and semi-suite style. This represents an increase in the single room inventory of about 30 percent to 297 such rooms and will re-introduce 24 semi-suite style rooms to the inventory. The anticipated new revenue is over $1,000,000 in fiscal year 2016 for housing and dining combined.

This project does not increase the amount of space at UM. Instead, it will reclaim currently unoccupied space and improve the Net Asset Value of the building. The estimated renovation age of the 3rd and 4th floors is nearly 64 years and the estimated net asset value stands at approximately 73 percent.

Estabrooke Hall was originally constructed in 1940 and had a substantial renovation of the 1st and 2nd floors completed in 2014. These spaces are occupied by the Honors College, Office of International Programs, the International Study Center, and RISE representing Education and General activities.

The 3rd and 4th floors of Estabrooke Hall were in service as a residence hall until 2012 and the proposed renovation will generally maintain the previous floor plan with minor modifications and improvements for code and updating purposes. When complete, Estabrooke Hall will be a mixed E&G and Auxiliary building, similar to the present conditions in Colvin Hall and Stodder Hall.

The proposed schedule for the project is to complete design during the fall and early winter of 2014 followed by construction from January 2015 to completion prior to the start of the fall 2015 semester.
On a motion by Trustee Murphy, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 16-17, 2014, Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees approves the expenditure of up to $5,000,000 from campus Auxiliary Reserves funds to renovate two dormitory floors in Estabrooke Hall.

**Lease of 95 College Avenue, UM.** Mr. Low from UMaine explained that the University of Maine requests authorization to lease real estate at 95 College Avenue, Orono, to the Beta Zeta Chapter of Lambda Chi Alpha, Inc., a Maine corporation, for the purpose of operating a University of Maine approved and recognized fraternity house known as Lambda Chi Alpha Fraternity House.

The fraternity owns and operates a residential structure on the property. The existing 50-year ground Lease Agreement between the University of Maine and Beta Zeta Chapter of Lambda Chi Alpha, Inc. will expire on June 24, 2016. This request is for authorization to enter a new lease to continue that existing occupancy and purpose.

The Corporation has been in occupation of the property and wishes to continue to occupy the property. The Corporation and the University have negotiated a new long-term ground lease for $1 per year for a term of an additional 35 years and to expire no later than June 23, 2051, with the option for renewal for a mutually-agreeable time period.

On a motion by Trustee Turner, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda for Board of Trustees approval at its November 16-17, 2014 meeting for authorization of the following resolution:

That the Board of Trustees authorizes the University of Maine System acting through the University of Maine to enter into a Lease Agreement with Beta Zeta Chapter of Lambda Chi Alpha, Inc. for the Property on which the Lambda Chi Alpha Fraternity House is situated, at 95 College Avenue, Orono, Maine, for a period to end no later than June 23, 2051, unless mutually agreed to renew for an additional mutually-agreeable time period, such Lease Agreement being subject to review and approval by the Treasurer and General Counsel.

**Request to Seek Qualified Developers for Residential Facility, UMA.** Mr. Tim Brokaw, UMA Chief Financial Officer, and UMA President Glenn Cummings explained that the University of Maine at Augusta requests approval to proceed with a Request for Qualifications (RFQ) with the goal of selecting a developer or a developer team to join with UMA in a public-private partnership to construct privately-owned and operated student housing for up to approximately 70 students on property currently owned by the University in Augusta.

The University previously advised Trustees of this effort and of its intention to seek out interested parties. The University did in fact subsequently seek out interested parties and earlier this year received multiple responses to that publicly-advertised request for letters of interest in developing either off-campus or on-campus housing. The University intends now to proceed with a request for qualifications among those interested parties. This step could lead to the selection of a partner and an actual agreement for the development and management of the proposed housing.
To help make the ultimate cost of this housing advantageous to students, UMA does intend to provide land for the project. UMA anticipates that all financing, operating costs, and appropriate liability insurance coverage will be the developer’s responsibility.

Analysis has shown there is an unmet need for affordable, convenient and safe housing in Augusta. This project will help drive enrollment by attracting students outside the range of commuting distance who would make use of such housing. UMA anticipates that a residential component to Augusta’s campus will increase student engagement with the university community as well as favorably impact retention. Programs such as Architecture and Aviation have the potential to draw students from out of state as well as internationally, and other programs such as the UMA/UMFK Nursing program, international exchange programs, art and music programs will also benefit from student housing.

Independent consultant Frank O'Hara of Planning Decisions in 2011 estimated demand at 200+ beds for the Augusta campus. UMA is taking a measured approach by mitigating most financial risk through a public private partnership and starting with a modest size facility of approximately 70 beds with the potential to scale to a larger size in a later phase. Ultimately, the project likely will require more specific Trustee approval either because of the sale of land or a long-term lease of land. While the thresholds set by Board policy are not triggered at this time, consideration by the Trustees is being requested now to ensure appropriate approval is in place for this innovative public-private approach and in preparation for future consideration of a final proposal.

UMA is aware of the financial and facility challenges facing the University of Maine System. Based on its research to this point, UMA is pursuing a model in which:

1. the housing is on land now owned by the University; and,
2. the facility would be owned and operated by an external entity.

UMA intends to select the developer based on a competitive, qualifications-based evaluation open to all those who responded to the previous publicly-advertised solicitation. UMA will include provisions allowing those participants to update their respective teams.

UMA has approximately 160 acres of land on its Augusta campus and thus has sufficient land to dedicate an estimated 2-3 acres needed for this project. Again, all financing, operating costs, and appropriate liability insurance coverage would be the developer’s responsibility. The University will expect full transparency from the selected developer regarding the financials of the project with the goal of providing the lowest possible rent to students.

UMA acknowledges the construction and operation of this housing would create residual reputational risks and potentially some incremental operating costs (such as enhanced campus-wide security). Student housing on campus or on land currently owned by UMA is the preferred solution both because it will place the housing proximate to the programming, but also because it is likely to produce the lowest-cost solution for students due to the University’s ability to contribute land to the project.

Successful completion of the RFQ process will result in the selection of a developer and thereafter the beginning of the design phase for the project. UMA anticipates a 6 month design phase. UMA anticipates the facility will be a two or three story building with approximately 18,000 to 22,000 gross square feet and an investment cost for the developer of $4 to $5 million. The duration of the construction phase of the project is estimated at 10-12 months.

Upon selection of the developer, the total timeline of the project is estimated at 18 months, so the earliest opening date for building is estimated to be the fall semester of 2016.
On a motion by Trustee Turner, which was seconded by Trustee Murphy, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the November 16-17, 2014, Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees authorizes the University of Maine System acting through the University of Maine at Augusta to solicit qualifications from developers for the purpose of potentially constructing a student residential facility in Augusta and to include the potential contribution of University property to the project through lease, sale or other transfer.

**Capital Projects Status Report.** Mr. Chip Gavin, System Director of Facilities Management and General Services, explained that the Capital Projects Status Report reflects a net total of 24 projects. Four projects have been added per Board actions. The four new projects appearing on the report for the first time are: Boardman Hall STEM Laboratory Renovation, UM; Little Hall STEM Classroom Renovation, UM; Wells Commons Dish Room Renovation, UM; and, Central Heat Plant Replacement-Portland, USM.

Five projects have been removed since the last report. They are: Fogler Library HVAC Upgrades, UM; Estabrooke Repurposing & Renovations and International Study Center, UM; Gorham Central Heat Plant Replacement, USM; Gorham Water Tank Refurbishment, USM; and, International Study Center, USM.

One project will be removed from the next report: Aquaculture Research Center Fish Lab, UM. This project is being removed prior to completion for reconsideration by program.

**Facilities Management Administrative Review Update.** Mr. Gavin provided an update regarding the status of the Facilities Management Administrative Review project, including fall outreach plans and the team’s anticipated reporting timeline.

**FINANCE ITEMS**

**Annual Report on Gifts, Fundraising and Endowments.** Ms. Tracy Elliott, Director of Finance and Controller, provided highlights of the University of Maine System (UMS) Annual Report on Gifts, Fundraising and Endowments for the year ended June 30, 2014. This report presents:

- Total gifts received by restriction type, donor type, campus and purpose.
- The UMS gift balances by fiscal year which includes pledges outstanding, non-endowed gift balances and endowment market values.
- UMS affiliated fund raising organizations’ gifts received and endowment balances.
- The financial status of capital campaigns.

All gifts received fulfill the policy requirements of the Board of Trustees and the UMS follows the intent of its donors. The UMS expresses its gratitude for all gifts, donations and bequests received.

**Maine Economic Improvement Fund (MEIF) Goals and Objectives.** Mr. Jake Ward, Vice President for Innovation and Economic Development at UMaine, explained Maine statute requires UMS to submit an annual report on Maine Economic Improvement Fund (MEIF) that includes “the annual measurable goals and objectives of the fund, as established by the Board, and an assessment of the achievement of those goals and objectives. The goals and objectives must include, but may not be limited to, education, research and development.”
Although there are System and Campus goals focused on research and development expenditures, UMS does not currently have measures specific to MEIF. The draft goals and objectives will meet the statutory requirements.

On a motion by Trustee Nelson, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee agreed to forward this item to the consent agenda at the November 16-17, 2014 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees approve the goals and objectives for the Maine Economic Improvement Fund and that these metrics will be used for the 2014 MEIF Annual Report.

**Strategic Integration Target 2: Comprehensive Financial Management Structure Update.** Dr. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, provided an update regarding the financial structure in anticipation of the final plan being presented to the Board of Trustees at the November 16-17, 2014 meeting for approval. The spectrum of change is as follows:

- Model 1 - Policy Only Approach
- Model 2 - Unified Finance Only
- Model 3 - Unified Finance & Administration with Regional Chief Operating Officers
- Model 4 - Unified Finance & Administration with Full Integration

Dr. Wyke explained the proposed budget policy strategy that will be established in coordination with one or more of the spectrum of change options. Trustee Turner recommended the Committee endorse Model 4 – Unified Finance & Administration with Full Integration. President Hunter asked that the UMS be mindful of the NEASC accreditation requirements when selecting and developing the financial management structure.

Trustee Fournier asked the Committee for consensus to narrow the development focus from the four options to the preferred option Model 4, taking into consideration the issues that have been raised. The Committee agreed with Trustee Fournier’s recommendation.

Adjournment.

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