

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

Zoom Meeting
June 24, 2020

Finance/Facilities/Technology Committee

Present: Committee Members: Mark Gardner, Chair; Timothy Doak, Sam Collins, James Donnelly, David MacMahon, Trish Riley, Trevor Hustus, Emily Cain, James Erwin, and Kelly Martin. **Other Trustees – Non-Voting:** Michael Michaud, Sven Bartholomew, and Lisa Eames. **Chancellor:** Dannel Malloy. **Presidents:** Joan Ferrini-Mundy, Ray Rice, Edward Serna, Rebecca Wyke, and Glenn Cummings. **Faculty Representative:** Clyde Mitchell. **System Staff:** Ryan Low, Ellen Doughty, Robert Placido, Kay Kimball, Chip Gavin, Miriam White, James Thelen, Sam Warren, and David Demers. **Other Participants:** Claire Strickland, Leigh Saufley, Ben Shaw, Carolyn McDonough, Kenda Scheele, Eric Brown, Jeannine Uzzi, Pam Ashby, Faye Gilbert, Buster Neel, Laurie Gardner, Jared Cash, Joe Szakas, Jonathan Henry, Jason Towers, Dan Qualls, and Alec Porteous.

Committee Members Absent: None.

Trustee Gardner, Chair, called the meeting to order and welcomed everyone. The Clerk performed a roll call of the Committee members present.

Solar Array, UMPI

UMPI President Raymond Rice provided an overview of UMPI's request to expend up to \$700,000 to construct a 450,000-kilowatt solar array on the UMPI campus. Funding for this project will come from two primary sources, both of which ultimately are insurance proceeds. First, \$444,240 will come from insurance reimbursement from the wind turbine (explained further below). The remainder of the project cost, \$255,760, will come from the campus capital planning reserve, which has current balance of \$815,384. However, \$734,571 of the balance of the capital reserves also was funded by turbine insurance coverage. In April 2018, the UMPI 600-kilowatt wind turbine, which began operating in 2009, suffered a mechanical malfunction resulting in a fire. This resulted in the turbine being deemed a total loss that then led to insurance proceeds being provided to the campus. Additionally, UMS Risk Management was able negotiate a planned reimbursement of \$444,240 from the insurance companies should the campus invest in a new alternative energy project. Since the loss of the turbine, UMPI has been assessing options to obtain a renewable source for its electricity demand, and to take advantage of the additional reimbursement amount. The campus has engaged with LaBella Associates to design a solar array that will assist in offsetting the campus' electrical costs and again put it on a path towards carbon neutrality. The scope of the project has been focused on developing a solar array to meet these needs. A return on investment analysis has been completed. It is estimated that the annual savings on utility costs (@\$0.09/kW) will be \$41,760 with estimated annual maintenance costs at \$7,381, or a net savings of approximately \$34,000 annually. Based on those estimates, the simple payback for the entire project budget would be approximately 20 years. The simple payback measured against the capital reserve contribution to the budget would be approximately 8 years. This project will have no net effect on square footage. If approved, bidding for this project would commence immediately with the goal of selecting a construction firm no later than the end of month July. Construction would commence in August with estimated completion in September or October.

On a motion by Trustee Collins, which was seconded by Trustee Donnelly, and approved by a roll call vote of all Trustees present, the Board of Trustees, acting through the Finance/Facilities/Technology Committee authorized the University of Maine at Presque Isle to expend up to \$700,000 to construct the solar array, as outlined, with funding from wind turbine insurance reimbursement and campus capital planning reserves, including temporary use of reserves if needed pending receipt of reimbursement.

Tau Kappa Epsilon Ground Lease, UM

UM Associate Vice President and Senior Associate Dean of Student Life, Ms. Kenda Scheele provided information about UM's request to amend or enter a ground lease with Tau Kappa Epsilon (TKE) Housing Corporation. This request is pursuant to Board Policy 802, Disposition of Real Property, which requires Board approval for leases exceeding ten years or \$500,000. In this case, the requirement is in regards to the duration and approval by the full Board is required. Tau Kappa Epsilon (TKE) is a fraternity in good standing on the UM campus. The current lease through its housing corporation, TKE Housing Corporation, began September 1, 1970 and expires on August 31, 2020. The new agreement would be for a further 30 years for less than one acre at 370 College Avenue, just north of the Alford Arena on College Avenue. The amended lease would continue to include an annual rent of \$1. The land is being used for the purposes of operating a UM recognized fraternity house. The structure located on the land is owned by the Fraternity and subject to the terms of the lease with the University.

On a motion by Trustee Riley, which was seconded by Trustee Collins, and approved by a roll call vote of all Trustees present, the Finance, Facilities and Technology Committee agreed to forward this item to the Consent Agenda at the July 20, 2020, Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees approves the recommendation of the Finance, Facilities, Technology Committee to authorize the University of Maine System acting through the University of Maine to enter a ground lease for a term as long as 30 years with the Tau Kappa Epsilon (TKE) Housing Corporation for land located in the town of Orono, subject to review and approval of all final terms and conditions by the University of Maine System Treasurer and General Counsel.

Capital Project Status Report and Bond Projects Update, UMS

UMS Chief General Services Officer Mr. Chip Gavin and UMS Director of Capital Planning and Project Management Ms. Carolyn McDonough provided an overview of the UMS Capital Project Status and Bond Project Status reports. The Capital Project Status report reflects a total of 24 projects and no new projects have been added since the last report. While many projects are continuing, four projects have been placed on hold. The change in status is due at least in part to the current pandemic and associated disruptions and uncertainties. These four projects are: Handley Hall HVAC System Upgrade, UMA; Welcome Center, UMA; Wishcamper Parking Lot, USM; and, Fitness Equipment Purchase and Space Renovation, USM. These will be reviewed and revisited in the fall/winter for need, viability, options and potential future resumption. Where construction is underway as exempted by federal and state pandemic guidance or orders, UMS is requiring contractors to provide a COVID-19 work plan that outlines their process for ensuring workers respect social distancing and other recommended or mandated practices for minimizing the spread of the virus. Since mid-March the University has been conducting pre-bid meetings virtually by providing

photos and videos of existing conditions and responding to questions issued by email. Capital Planning and Project Management is collaborating with each campus to understand the policies each has put in place as well as any local municipal orders or policies to ensure our contractors are heeding them. UMS has started seeing communication from contractors that material deliveries are being delayed with potential schedule and cost impacts.

The UM Ferland Engineering Education & Design Center project continues to be on schedule. The selected contractor arrived on site on May 19th and began with demolition of the existing Machine Tool Lab building. The USM Private Public Partnership (P3) project was finalized and approved by Trustees; however the project is continuing on a deferred timeline. The anticipated demolition of the existing Woodbury Student Center at the USM campus in Portland to avoid increasing USM's footprint and to enable construction of the new Career and Student Success Center and Portland Residence Hall on the same site will displace the existing kitchen facility serving the Portland campus. Sodexo and USM have been working on a solution for this to enable uninterrupted food service to the Portland Campus. The proposed solution will allow Sodexo to use existing equipment and stay nearby by renovating the underutilized Racquetball and squash courts in Sullivan Gym. The cost for this work is currently estimated at less than \$500,000 and is likely to be handled through the Sodexo contract without the need for direct University capital investment.

The Bond Project Status report reflects 29 projects in progress. These projects are currently estimated to account for more than \$38 million of the \$49 million in voter approved general obligation bond funding. About \$5.8 million of that has been expended. Supplemental funding is being leveraged for some of these projects and the total estimated project value across all funds currently stands at approximately \$51.1 million, including the bond funding and other project resources.

Projects with a Value of \$250,000 or Greater. Chief Information Officer Dr. David Demers provided information on projects with a value of \$250,000 or greater.

The Classrooms for the Future project completion has increased from 98% in April 2020 to 99% complete in June 2020. The revised budget of \$4.945 million for the project reflects the additional \$582,730 allocation provided from project contingency funds, which has allowed for additional sites and rooms to be included in the project. The COVID-19 pandemic has affected final work scheduling due to equipment shortages, shipping delays, and workforce availability. Dr. Demers remains confident that the project will be completed during Summer 2020. Equipment installation has resumed at USM and final work scheduling will coincide with web-conferencing updates. There is still concerns over high anticipation for additional funding needed to complete the full series of classroom upgrade projects.

The Classrooms for the Future (CFTF) Web-Conferencing Project is estimated at 4% complete in June 2020. The budget for this project is \$2.564 million. This project was added to address the need for expanded availability of web-conferencing and video recording capabilities across UMS, in order to maintain social distancing practices as UMS moves into the Fall semester. 164 rooms have been identified across all UMS campuses to receive these upgrades. The project will aid in the support of flexibly instructional modalities and provide options for students and faculty. Project concerns include a tight completion timeline and availability of equipment and resources needed to complete the work.

The Wireless Infrastructure project completion has remains at 96% complete from April 2020 to June 2020. The revised budget of \$13.2 million reflects the additional \$415 thousand in contingency funds that will be infused back into the project. The COVID-19 pandemic has affected final work at USM due to facility availability and workforce availability. A few projects at USM have recently been completed. Current work includes several additional projects at USM; however, the projects have been paused so that UMS IT can support emergency management of the pandemic. USM will have to maintain parallel wireless networks for a period of time due to phased funding and there is still high anticipation for additional funding to complete this effort.

The MaineStreet Improvements project report shows that the Campus Solutions (CS) upgrade to move from version 9.0 to version 9.2 is 100% complete and the Peoplesoft User Experience (UX) enhancement project increased to 65% complete as of June 2020. This project has a total budget of \$2.48 million. All components of the 9.2 upgrade were successfully completed and the project is officially closed. Initial functional testing and student pilot testing has started. A survey of students testing the new UX software found that 90% of those students preferred the new software and found it to be much more user friendly in areas such as course enrollment, class schedules, degree audits, and financial aid views. UMS IT is working on incorporating additional interactive links in the software. There is still some concern around managing change in navigation and the interface for the MaineStreet environment.

The VoIP Implementation Project for UMF, USM, and UMPI continues to progress. The overall budget for this project is \$1.599 million. The project is currently 67% completed at UMF, 50% completed at UMPI and 24% completed at USM. At UMF, additional infrastructure cabling required for Merrill, Admissions and Franklin Hall will continue through the Summer. At UMPI, the cabling required is on hold due to campus closure and will resume at Preble in mid-July and in South Hall over Winter break. At USM, work is underway at Glickman Library, Luther-Bonney, Science, Bailey Hall, and Upton. Work at Brooks Student Center and Wishcamper has been substantially completed. Two areas of concern are the on-going probability of future failures of legacy phone systems at UMF/USM and the poor network infrastructure on both campuses posing challenges to the project timeline.

The Brightspace Learning Management System (LMS) Implementation project with a budget of \$1.61 million has increased from 55% in April 2020 to 81% complete in June 2020. Brightspace from Desire2Learn will replace Blackboard Learn, the current UMS LMS, with a modern, mobile friendly, cloud-based platform. Blackboard Learn will remain as the default LMS through Summer 2020 with full deployment and conversion of courses to the Brightspace platform to coincide with the start of the Fall 2020 term. Recently completed work includes in-depth administrator training, course migrations, Summer 2020 pilot courses, and the UMS Brightspace Virtual Symposium, which had over 900 attendees. Concerns include the very aggressive timeline for completion and the COVID-19 disruption.

FY2021 Proposed Operating & Capital Budget and Student Charges – Second Reading, UMS

UMS Vice Chancellor for Finance & Administration and Treasurer, Mr. Ryan Low provided an overview of the overall UMS FY2021 Proposed Operating & Capital Budget and Student Charges. Vice Chancellor Low outlined the broad assumptions that were included in the budgets including the impact of State Appropriations, tuition changes, budget stabilization funds, and enrollment. The FY2021 budget was last presented to the Trustees in late March 2020 and it has undergone substantial revisions since that presentation. This is the first time that the enrollment budgeting

process was focused on returning students and includes more realistic enrollment goals and occupancy rates. Vice Chancellor Low stated that there would likely be supplemental changes to the FY2021 budget submitted over the next few months when more details surrounding State appropriations and actual enrollments have been collected. For some campuses, FY2020 CARES Act funding is insufficient to offset FY2020 COVID19-related costs and losses of revenue; consequently causing the increase of year-end reserve transfers in most cases and further complicating the FY2021 budget. The budget being presented today assumes flat State appropriation, which is down nearly \$6 million from the budget that was presented in March. Vice Chancellor Low is not optimistic that flat State appropriation funds will be provided when all is said and done. COVID19 impact on state revenues may result in an appropriation curtailment in FY2021 which has not been factored into this budget. COVID19 guidance regarding social distancing and small groups, combined with the public's cautious concerns, will likely result in smaller class sizes, and fewer revenue-generating activities on campus. Additionally, reduced occupancy rates and holding rooms vacant if needed for self-quarantining result in reduced dining & residence revenues. Additionally, Chancellor Malloy outlined the revised hiring process that has been in effect since March 2020. The new process was developed to make sure that hiring was restricted to only critical positions and includes an in-depth review of position creation or rehire by Vice Chancellor Low and the Chancellor, prior to the position being posted.

FY2021 budgeted credit hours are 4.9% below FY2020 budget and 2.1% below FY2020 actuals. The in-state, undergraduate average tuition increase is at the Consumer Price Index (CPI) at 2.5%. UMF is requesting Budget Stabilization while the Law School is utilizing USM, System reserves, and requesting Budget Stabilization. Neither has any reserves and still will not be balanced. UMFK and UMPI are not requesting Budget Stabilization funds at this time; however, UMFK has a negative reserve balance and UMPI may have insufficient reserves to cover projected losses for FY2020/FY2021. UM and UMM will be utilizing campus reserves. The total FY2021 proposed budget results in a deficit of \$5.64 million after reserves and budget stabilization funds are applied. Vice Chancellor Low and his team will work with campuses to try to mitigate their budget shortfalls to some degree; however, many campuses will remain with some balance deficiencies for FY2021. After a projected \$1 million in transfers to UMF and the Law School, the UMS Budget Stabilization fund will have a projected balance of nearly \$10.7 million for FY2021.

The Maine Economic Improvement Fund (MEIF) remains flat for FY2021 at \$17.35 million. UMS enrollment for FY2021 is 4.9% below FY2020 budget and 2.1% below FY2020 actual. FY2021 credit hours are up 2.1%, but below FY2020 actual credit hours. FY2021 out-of-state budgeted represents 26% of the total credit hours. The FY2021 residence hall occupancy rate ranges from 98% at USM to 62% at UMM with a System average of 79%. The Unified Fee and Room & Board rates are increasing at all campuses for FY2021. The average annual increase is \$556 for in-state, undergraduate students residing on campus. Depreciation expense increased by \$2 million from \$38.4 million in FY2020 to \$40.4 million in FY2021. E&G and Auxiliary budgeted capital investment is \$13.9 million which is a decrease of \$1.9 million. Funding through Debt Service is basically flat. 58% of the total depreciation expense is funded in the FY2021 budget, which is down 9% from the FY2020 budget. Although not reflected in this budget, UMS will be making capital investments with State bond funds of \$49 million and revenue bond funds. The UMS FY2021 E&G and Auxiliary Net Change in Cash & Reserve Transfers is projected to be a negative balance of nearly \$5.64 million.

Vice Chancellor Low invited each campus to present their FY2021 budget and provide details on their initiatives to try to mitigate the challenges they are facing with the COVID-19 response and

balancing the FY2021 budget in light of lower enrollment and less State appropriation funds. The theme across all campuses surround increased retention and enrollment initiatives and non-replacement or reduction of full time equivalent positions. The campuses will all have to find ways to mitigate reduced residence hall occupancy and auxiliary revenue shortages.

UM

President Joan Ferrini-Mundy and Chief Business Officer Claire Strickland presented the proposed budget for FY2021 for UM. UM will transfer \$3,000,000 from campus reserves to balance the FY2021 budget. The FY2021 total full-time equivalent positions are projected to decrease by 27.8 from FY2020 totals. The FY2021 projected enrollment is 2.6% below FY2020 budgeted and 2.4% below FY2020 actuals. Early College totals are projected to increase from 1,579 in FY2020 to 2,508 in FY2021. The FY2021 undergraduate tuition increase is 2.7% for in-state and 2.5% for out-of-state. The graduate tuition increase is 2.4% for in-state and 2.5% for out-of-state. The UM projected residence hall occupancy rate is 77%.

UMM

President Ferrini-Mundy, Vice President of Academic Affairs & Head of Campus Dan Qualls, and Chief Business Officer Claire Strickland presented the proposed budget for FY2021 for UMM. UMM will transfer \$145,000 thousand from campus reserves to balance the FY2021 budget. The FY2021 total full-time equivalent positions are projected to decrease by 2.2 from FY2020 totals. The FY2021 projected enrollment is 22% below FY2020 budgeted and 13.5% below FY2020 actuals. Early College totals are projected to increase from 700 in FY2020 to 768 in FY2021. The FY2021 undergraduate tuition increase is 2.5% for in-state and 3.2% for out-of-state. The FY2021 projected residence hall occupancy rate is 62%.

USM

President Glenn Cummings, Chief Business Officer Alec Porteous, Provost & Vice President for Academic Affairs Jeannine Uzzi and Vice President of Enrollment Management and Marketing Jared Cash presented the proposed budget for FY2021 for USM. The FY2021 projected E&G and auxiliary budget is a surplus of \$22,231 thousand. The FY2021 total full-time equivalent positions are projected to increase by 4 from FY2020 totals. The FY2021 projected enrollment is 7.9% below FY2020 budgeted and 2.3% below FY2020 actuals. Early College totals are projected to increase from 4,366 in FY2020 to 4,702 in FY2021. The FY2021 undergraduate tuition increase is 2.5% for in-state and 4.1% for out-of-state. The graduate tuition increase is 2.6% for in-state and 3.9% for out-of-state. The FY2021 projected residence hall occupancy rate is 98%.

UMA

President Rebecca Wyke, Chief Business Officer Buster Neal, Vice President of Academic Affairs and Provost Joe Szakas, Vice President for Enrollment Management and Marketing Jonathan Henry presented the proposed budget for FY2021 for UMA. The FY2021 projected E&G and auxiliary budget is a surplus of \$188,515 thousand. The FY2021 total full-time equivalent positions are projected to increase by 5 from FY2020 totals. The FY2021 projected enrollment is 0.9% below FY2020 budgeted and 3.4% above FY2020 actuals. Early College totals are projected to increase from 4,390 in FY2020 to 6,183 in FY2021. The FY2021 undergraduate tuition increase is 2.5% for in-state and 2.4% for out-of-state. Additionally, UMA will begin to offer graduate courses in FY2021. The FY2021 residence hall occupancy rate is projected at 76%.

UMF

President Edward Serna, Chief Business Officer Laurie Gardner, and Vice President for Academic Affairs and Provost Eric Brown, presented the proposed budget for FY2021 for UMF. The FY2021 projected E&G and auxiliary budget deficit is \$3,053,666. The FY2021 total full-time equivalent positions are projected to increase by 1 from FY2020 totals. The FY2021 undergraduate tuition increase is 2.5% for in-state and 4% for out-of-state. The graduate tuition increase is 1.4% for in-state and will decrease by 31.7% for out-of-state students. The FY2021 projected enrollment is 7.9% below FY2020 budgeted and 4.2% below FY2020 actuals. Early College totals are projected to decrease from 880 in FY2020 to 500 in FY2021. The FY2021 residence hall occupancy rate is projected at 74%.

UMPI

President Ray Rice, Chief Business Officer Ben Shaw and Executive Director of Enrollment Management Jason Towers then presented the proposed budget for FY2021 for UMPI. The FY2021 budget is projected to have a deficit of \$585,603. The FY2021 total full-time equivalent positions are projected to increase by 0.5 from FY2020 totals. The FY2021 projected enrollment is 4.9% below FY2020 budgeted and 1.8% below FY2020 actuals. Early College totals are projected to increase from 3,725 in FY2020 to 4,298 in FY2021. The FY2021 undergraduate tuition increase is 2.5% for in-state and 2.6% for out-of-state. UMPI is projecting a FY2021 residence hall occupancy rate of 80%.

UMFK

Chief Business Officer Pamela Ashby, and Executive Director of Enrollment Management Jason Towers presented the proposed budget for FY2021 for UMFK. The FY2021 projected E&G and auxiliary budget deficit is \$750,000 thousand. The FY2021 total full-time equivalent positions are projected to decrease by 0.9 from FY2020 totals. The FY2021 projected enrollment is 4.4% below FY2020 budgeted and 3.8% below FY2020 actuals. Early College totals are projected to increase from 4,015 in FY2020 to 4,098 in FY2021. The FY2021 undergraduate tuition increase is 2.5% for in-state and 2.6% for out-of-state. The FY2021 resident hall occupancy rate is projected at 71%.

Law School

Dean of the School of Law Leigh Saufley and Assistant Dean for Finance and Administration Nicole Vinal Harvie presented the proposed budget for FY2021 for the School of Law. The FY2021 budget is projected to have a deficit of \$1,461,444. The FY2021 total full-time equivalent positions are projected to increase by 4.5 from FY2020 totals. The FY2021 projected enrollment is 3.3% below FY2020 budgeted and 4.7% below FY2020 actuals. The FY2021 per credit tuition for resident students is \$773, non-resident is \$1,156 and NEBHE rate is \$1,055. The FY2021 tuition rates are the same as FY2020.

Several Trustees raised concerns about approving a budget that was not balanced. They asked that the resolution be revised prior to the June 26th Special Board of Trustees meeting to reflect that the approval at that meeting would be conditional with emphasis on providing a balanced FY2021 budget before final approval would be considered. Overall, they decided to move forward with the proposed FY2021 budget, with the understanding that updates on the FY2021 budget would be provided at subsequent Finance, Facilities, & Technology Committee meetings and Board of Trustee meetings throughout the fiscal year.

Additionally, questions about the 2.5% tuition increase were raised. Some Trustees felt that it was a difficult time to raise tuition due to the national financial struggles caused by the pandemic.

Chancellor Malloy stated that the tuition increase was already planned prior to the pandemic and was not initiated afterward, to try to mitigate UMS pandemic related losses.

On a motion by Trustee Riley, which was seconded by Trustee Donnelly, and approved by a roll call vote of all Trustees present, the Finance, Facilities and Technology Committee agreed to forward this item to the July 26, 2020 Special Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees accepts the recommendations of the Finance, Facilities and Technology Committee and approves the FY2021 Proposed Operating & Capital Budget, Recommended Amended Student Charges, and proposed Transfers from Institutional Reserves including Budget Stabilization Funds.

Trustee Trevor Hustus stated that he did not feel comfortable approving the budget with the recommended student tuition increases and voted not to move this agenda item forward; however, with all other Trustees present voting in favor of the proposed FY2021 budget, the item was approved to be forwarded to the July 26, 2020 Special Board of Trustees meeting.

Additional information about the meeting can be found on the Board of Trustees website:
<https://www.maine.edu/board-of-trustees/wp-content/uploads/sites/12/2020/06/MtgMat-FFT-062420-revised061820.pdf>

Adjournment.

Heather A. Massey for
Ellen N. Doughty, Clerk