

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

October 28, 2020
Zoom Meeting

Board of Trustees Meeting

Present: James Erwin, Chair; Mark Gardner, Vice Chair; Timothy Doak, Sam Collins, James Donnelly, David MacMahon, Michael Michaud, Trish Riley, Pender Makin, Trevor Hustus, Emily Cain, Kelly Martin, Betsey Timm, Sven Bartholomew, and Lisa Eames. **Chancellor:** Dannel Malloy. **Presidents:** Joan Ferrini-Mundy, Ray Rice, Edward Serna, Rebecca Wyke, Deborah Hedeem, and Glenn Cummings. **System Staff:** Ryan Low, Ellen Doughty, Robert Placido, Tracy Elliott, Rosa Rdonnett, Sam Warren, Miriam White, Darla Reynolds and James Thelen. **Faculty Representatives:** Harlen Onsrud and Clyne Mitchell. **Student Representatives:** Ameya Karapurkar. **Other Participants:** Leigh Saufley, Pam Ashby, Dan Qualls, Ben Shaw, Buster Neel, Claire Strickland, Laurie Gardner, John Volin, and Alex Portous

Absent: None

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

CITIZEN COMMENT

Citizen Comment is a time regularly set aside for comments from the public. No one signed up to speak for the Citizen Comment.

CHAIR'S REMARKS

Chair Erwin extended his sincere thanks to everyone who has worked on the FY2021 budget to get us to this point. He indicated this has been a challenging year along with a long budget process and expressed his thanks for the continued diligence and effort in preparing a budget for the Board's review and action. He stated the Board understands that the budget may not be completely finalized but there is much more clarity than the previous FY2021 budget presented in June.

ACTION ITEMS

Annual Financial Report for FY2020

UMS Director of Accounting Darla Reynolds provided an overview of the Annual Financial Report for FY2020. The Operating Revenues for FY2020 totaled \$451 million, which is down \$19 million from FY2019. This is a result of the impact from the COVID-19 pandemic. The \$19 million is primarily due to the \$13 million decline in room and board revenue as UMS suspended in-class operations in March and moved to remote instruction as well as the partial room and board refunds to students. The other revenue area that was impacted by the pandemic was the Educational Sales and Services and Other Revenues that includes ticket sales, rental income and fees for services. Operating Expenses for FY2020 totaled \$716 million, a decrease of \$8 million from FY2019. UMS had a FY2020 Operating Loss of \$265 million, which is an increase of \$11 million from FY2019. The Net Non-operating Revenues totaled \$265 million resulting in Income Before Other Changes in Net Position of \$106 million. The UMS greatly benefited from the \$17.9 million award from the U.S. Department of Education as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The FY2020 Change in Net Position totaled \$13.9 million,

a decrease of \$2.6 million from the prior year. The UMS ended FY2020 with a Total Net Position of \$832.1 million.

The FY2020 Annual Financial Report was presented earlier today to a joint session of the Audit and Finance, Facilities, & Technology Committees. The Audit Committee approved the FY2020 Annual Financial Report with a recommendation to forward it to the full Board for the October 28, 2020 Special Board of Trustees Meeting.

Trustee Donnelly, as Chair of the Audit Committee, commended Ms. Elliott and Ms. Reynolds for the comprehensive review of the report during the Audit Committee meeting.

On a motion by Trustee Donnelly, which was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Board of Trustees accepted the recommendation of the Audit Committee and approved the FY2020 Annual Financial Report as presented.

FY2021 Proposed Operating Budget Revisions

UMS Vice Chancellor for Finance & Administration and Treasurer, Mr. Ryan Low provided an overview of the UMS FY2021 Revised Proposed Operating Budget. The Board of Trustees approved a tentative FY2021 Unrestricted Operating Budget at the June 26, 2020 meeting with the expectation that each university would strive to balance their budgets by the end of October as more information became available regarding the impacts of COVID-19 on enrollment, residence hall occupancy, general operating expenses, and an appropriation curtailment.

Vice Chancellor Low expressed his thanks to the finance staff across the System as well as the campus staff for their hard work on the budget. It has been a very challenging budget, which has been presented on three occasions. The UMS was grateful for the support through the CARES act, however, for some campuses that funding was insufficient to offset the FY2020 COVID-19 related costs and losses of revenue. COVID-19 impact on state revenues resulted in an appropriation curtailment for UMS in FY2021 at almost \$2.3 million, which was factored into this budget. Also affecting the budget is the reduced dining and residence revenues as well as the market fluctuations which impacted earnings on general funds, endowments and other scholarship funds.

Total enrollment is down just 0.2% from the June 2020 budget and graduate and out-of-state enrollments have increased and the overall tuition revenue is up \$1.2 million from the June. The impact of COVID-19 resulted in significant losses in auxiliary revenue with occupancy rates at only 70%, with dining and residence hall revenues down over \$11 million from the June budget and down over \$20 million from the FY2020 budget. The total unresolved budget gap as of June 2020 was \$5.6 million after using \$4 million in campus reserves and \$1 million in the UMS Budget Stabilization Fund. The FY2021 budget as of October reflects \$5.1 million in campus reserves and \$4.9 million in UMS Budget Stabilization Funds resulting in a balanced budget. The Budget Stabilization Fund as of July 1, 2020 had a balance of \$12.1 million. After supplementing the budgets for the Law School and UMF the new balance of the Budget Stabilization Fund is \$7.1 million. This fund is critically low and is the lowest the Fund has been since it was established in 2010. UMS will need to align the revenues and expenses more closely in the next budget and not use the Budget Stabilization Fund to the extent it has for the past couple of years. Funding of the Budget Stabilization fund is from temporary investment income over and about the budget requirements.

UMS total credit hour enrollment as of the March 2020 Finance, Facilities and Technology Committee was 642,921. This number decreased to 621,929 as of June when the Board approved a preliminary budget. As of October 2020 the total credit hour enrollment is 620,728.

The FY2021 budgets have been revised since June and campus Presidents presented highlights of their revised budgets. UMA & UMFK are balanced without the use of any reserves; UMaine, UMM, UMPI, and USM are balanced by utilizing campus reserves; UMF and the Law School are requiring additional UMS Budget Stabilization Funds to balance their budgets.

Chancellor Malloy expressed appreciation for the hard work on the FY2021 revised budget and to the Board of Trustees for understanding that additional time was need to refine the budget. A great deal of effort went into retention and enrollment strategies that resulted in positive impacts on the budget.

On a motion by Trustee Gardner, which was seconded by Trustee Donnelly, and approved by a roll call of all Trustees present, the Board of Trustees approved the revised FY2021 Operating Budget including additional Budget Stabilization Funds for the Law School (\$1,024,750) and UMF (\$2,459,661).

EXECUTIVE SESSION

On a motion by Trustee Eames, which was seconded by Trustee Riley, and approved by a roll call vote of all Trustees present, the Board of Trustees meeting went into Executive Session under the following provisions:

- 1 MRSA Section 405 6-C to discuss or consider economic development only if premature disclosure of the information would prejudice the competitive or bargaining position of the System.

On a motion by Trustee Riley was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Board of Trustees concluded the Executive Session.

Additional information about the meeting can be found on the Board of Trustees website:
<https://www.maine.edu/board-of-trustees/meeting-agendas-materials/board-of-trustees/>

DATE OF NEXT MEETING

The next meeting of the Board of Trustees will be held on November 16, 2020, via Zoom.

Adjournment

Ellen N. Doughty, Clerk