

UNIVERSITY OF MAINE SYSTEM

Board of Trustees

Zoom Meeting

March 26, 2021

Finance/Facilities/Technology Committee

Present: Committee Members: James Donnelly, Chair; Timothy Doak, Mark Gardner, David MacMahon, Trish Riley, Emily Cain, James Erwin, Peggy Rotundo and Kelly Martin. **Chancellor:** Dannel Malloy. **Presidents & Law School Dean:** Leigh Saufley, Joan Ferrini-Mundy, Ray Rice, Ed Serna, Becky Wyke, Deb Hedeem, and Glenn Cummings. **Faculty Representative:** Clyde Mitchell. **Student Representatives:** Abigail Despres. **System Staff:** Ryan Low, Ellen Doughty, James Thelen, Miriam White, Laurel Hyle, and Jeff St. John. **Other Participants:** Nicole Vinal-Harvie, Betsey Sawhill, Pam Ashby, Laurie Gardner, Christine Wilson, Eric Brown, Joanne Yestramski, John Volin, Kody Varahramyan, Robert Dana, Kimberly Whitehead, Dan Qualls, Alec Porteous, Jeannine Uzzi, Jared Cash, Buster Neel, Joe Szakas, Jon Henry, and Aili Robinson.

Committee Members Absent: None.

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

FY2022 Proposed Operating Budget – First Reading - Governance & University Services

Budgets. Vice Chancellor for Finance and Administration and Treasurer Ryan Low presented the FY2022 proposed unified operating budget and the Governance and University Services budgets. This is the first reading of the FY2022 proposed operating budget and the second reading and vote of the Committee is currently scheduled for the next Committee meeting on May 5, 2021 prior to request for approval by the Board of Trustees at the May 24, 2021 meeting. Federal funding is being used in FY2021 and FY2022 to cover Covid-19 related expenses and-or lost revenue. FY2022 State Appropriation has held at FY2021 pre-Covid levels. Although increased above FY2021 levels, residence hall occupancy rates remain below full capacity, contributing to auxiliary budget challenges. Gordian (Sightlines) data continues to show declines in campus Net Asset Value (NAV) and increases in renovation age across UMS facilities. UMS received \$14.9 million in Coronavirus Relief Funds from the State of Maine to partially offset testing, personal protective equipment (PPE), and quarantine costs. The enrollment budgeting process focused on returning students and realistic enrollment goals adjusted for potential Covid-19 impact.

FY2022 Budget Overview

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 enrollment budgeting process focused on returning students and realistic enrollment goals adjusted for potential Covid-19 impact. FY2022 budgeted credit hours are 1.5% above FY2021 budget and 0.6% above FY2021 actuals. Unrestricted capital investments are increasing by \$4 million or 18% over FY2021 budget. UMFK and UMPI are relying on CARES funds to offset their budgeted operating losses in FY2022. UMF is utilizing CARES funds and requesting the utilization of previously approved Budget Stabilization Funds to balance their budget. Maine Law has minimal CARES funds and no reserves, so is requesting Budget Stabilization Funds to offset their operating loss. UMA is budgeting a slight operating surplus; UM, UMM and USM budgets are balanced.

UMS Residence Hall Occupancy is projected at 81% for normal occupancy and 89% for Covid occupancy. Normal occupancy rates range from 56% at UMM to 95% at USM. Based on Covid Capacity, UMA, UMF, & USM occupancy is at 100%. The in-state, undergraduate average tuition increase is proposed at the Consumer Price Index (CPI) at 2.5%. A UMS Task Force is exploring restructuring of tuition & fees and ways of simplifying bills for transparency. UM is proposing consolidating some mandatory fees into the FY2022 tuition rate as part of a UMS pilot. UM's per credit hour tuition would increase by approximately \$80 (UMM by \$34) if all but two mandatory fees were rolled into a single tuition rate. Excluded fees would include the student activity fee and the technology fee, which is designated to support campus technology and educational environment.

Depreciation expense decreased by \$0.6 million. It went from \$40.4 million in FY2021 to \$39.8 million in FY2022. The E&G and Auxiliary budgeted capital investment is \$15.1 million; an increase of \$2.5 million. Funding through Debt Service will be increasing by \$1.5 million. 66% of the total depreciation expense is funded in the FY2022 budget, which is up 11% from the FY2021 budget. The UMS Governance budget is \$5.4 million and is funded directly by State appropriation. The University Services allocated FY2022 budget is \$48.7 million. This budget is funded through cost allocation of services provided to the universities and governance. There is no increase in FY2022 cost allocations except for benefit cost increase for campus services employees. Increases for IT enhancements and non-campus services employee benefit costs are mitigated through reductions in travel and other expenses including renegotiated contracts to realize savings.

Campus Budget Presentations.

UMFK

President Deb Hedeem and Chief Business Officer Pamela Ashby presented the proposed budget for FY2022 for UMFK. FY2022 UMFK enrollment is projecting an increase of 3.2% above FY2021 budgeted and an increase of 2.2% above FY2021 actuals, including Early College. UMFK FY2022 E&G and Auxiliary budget reflects an increase in total revenue of \$260,650 and total expenses of \$965,705, leaving a budget deficit of \$750,000, which was supplemented by CARES funding to create a balanced budget. UMFK was lean on staffing before the pandemic, and some of the positions held vacant to present a balanced FY2021 budget cannot be sustained any longer. UMFK is proposing to increase the staffing budget by \$223,982. UMFK residence hall occupancy rate is projected at 66% of original capacity and 77% of Covid-restricted capacity. Depreciation is projected to be funded at 95.7%.

UM & UMM

Vice Chancellor for Research and Innovation/UM President Joan Ferrini-Mundy, Chief Business Officer Joanne Yestramski, Executive Vice President for Academic Affairs & Provost John Volin, Vice President and Chief of Staff Kimberly Whitehead, Vice President of Student Life and Inclusive Excellence Robert Dana, and Vice President for Research and Dean of the Graduate School Kody Varahramyan presented the proposed budget for FY2022 for UM and UMM. The UM/UMM FY2022 budget incorporates strategic investments for growth, leading to an initial E&G base budget total gap of \$11 million. Additional revenue and cost reductions of \$11 million will result in breakeven cash flow budget for FY2022. The FY2022 E&G and Auxiliary budget revenue is expected to increase by 6% and the expenses to increase by 1.6%. A 1% decrease in total student credit hours are projected for FY2022. FY2022 UM enrollment is projected at an increase of 1.6% above FY2021 budgeted and slight decrease of 0.6% below FY2021 actuals, including Early College. The FY2022 undergraduate tuition increase is 2.5% for in-state students. UM residence hall occupancy rate is projected at 78% of original capacity and 86% of Covid-restricted capacity. Several

residence halls are offline for Covid needs at UM. UM's multi-year goal is to invest in a growth plan and to break even by FY2024, including full funding of depreciation.

The UM-UMM partnership was developed to promote UMM campus revitalization, increased enrollment, and operational efficiencies and economies of scale between both of the institutions. In March 2021 a Regional Partnership Project task force was established to inform both campuses of next steps to increase the level of partnership between them. One of those initiatives, which will take place on July 1, 2021 (FY2022) is to fully integrate the UM and UMM budget. Meaning that UMM is also projecting a balanced FY2022 budget. FY2022 UMM enrollment is projecting a decrease of 8.1% below FY2021 budgeted and a decrease of 11.2% below FY2021 actuals, including Early College. UMM residence hall occupancy rate is projected at 56% of original capacity and 64% of Covid-restricted capacity. The residence halls have been changed from double to single occupancy to account for Covid needs.

UMPI

President Ray Rice and Chief Business Officer Betsey Sawhill presented the proposed budget for FY2022 for UMPI. After the use of \$1,131,396 of CARES funds, UMPI is presenting a balanced FY2022 budget. UMPI FY2022 E&G and Auxiliary budget reflects an increase in total revenue of 4.2% and total expenses of 8.2%. The FY2022 proposed tuition increase is 2.5% for in-state students. FY2022 UMPI enrollment is projecting an increase of 7.1% above FY2021 budgeted and slight decrease of 1.1% below FY2021 actuals, including Early College. UMPI will use \$4.517 million in voter approved bond funds to complete several capital projects through FY2022. The UMPI residence hall occupancy rate is projected at 77% of original capacity and 79% of Covid-restricted capacity. Some residential space is being held to account for Covid needs.

UMA

President Rebecca Wyke, Chief Business Officer Buster Neal, Vice President of Academic Affairs and Provost Joe Szakas, Vice President for Enrollment Management Director of Finance Aili Robinson, and Vice President of Enrollment Management and Marketing Jonathan Henry presented the proposed budget for FY2022 for UMA. The UMA FY2022 budget is balanced and has a modest surplus of \$14,829. FY2022 credit hours are flat, 158 credit hours or 0.2% above FY2021 actuals. FY2022 UMA enrollment is projecting a decrease of 2.1% below FY2021 budgeted and slight increase of 0.2% above FY2021 actuals, including Early College. FY2022 revenues are flat, \$325 thousand or 0.9% above FY2021. FY2022 expenditures are flat, \$283 thousand or 0.7% above FY2021. Enrollment projections are conservative and utilizes UMS model as the base. UMA is projecting an increased capital investment of \$331,153 or 54.2%. UMA has a built in contingency account in the amount of \$100,000. UMA has \$11 million in reserves for FY2022. UMA residence hall occupancy rate is projected at 93% of original capacity and 100% of Covid-restricted capacity.

Law School

Dean of the School of Law Leigh Saufley and Assistant Dean for Finance & Administration Nicole Vinal Harvie presented the proposed budget for FY2022 for the Maine School of Law. After the use of \$2,426,386 in budget stabilization funds, the Law School is projected to have a balanced FY2022 budget. The Law School did not have access to CARES funds to help balance their FY2022 budget. FY2022 Law School enrollment is projecting an increase of 8% above FY2021 budgeted and an increase of 8.1% from FY2021 actuals. The Law School FY2022 E&G and Auxiliary budget reflects an increase in total revenue of 10.5% and total expenses of 19.4%. The FY2022 per credit tuition for resident students is \$773, non-resident is \$1,156 and NEBHE rate is \$1,055. These are the same tuition rates as FY2021. The FY2022 total full-time equivalent positions are projected to increase to 46. Many of the additional expenses are attributed to recommendations made by the UMS Ad hoc

Board Law School Advisory Board Committee in the Report to Advise the Future Direction of the Law School. Additionally, some of the recommendations in that report were not able to be funded in the FY2022 budget.

USM

President Glenn Cummings, Chief Business Officer Alec Porteous, Provost and Vice President for Academic Affairs Jeannine Uzzi and Vice President of Enrollment Management and Marketing Jared Cash presented the proposed budget for USM FY2022. USM is projecting a balanced budget for FY2022. Due to tuition/fee revenue, increased benefit rate and adjustments from FY2021, the FY2022 budget proposal addresses a \$2.7 million budget gap, without the utilization of reserves or federal funds to cover gap and balance the budget. USM enrollment is projecting an increase of 2.6% above FY2021 budgeted and an increase of 2.9% above FY2021 actuals, including Early College. USM FY2022 E&G and Auxiliary budget reflects an increase in total revenue of 6.7% and total expenses of 4.9%. USM's FY2022 budget significantly increases funding in capital expenses to address deferred maintenance on the USM campuses. USM residence hall occupancy rate is projected at 95% of original capacity and 100% of Covid-restricted capacity.

UMF

President Edward Serna, Vice President for Academic Affairs and Provost Eric Brown, Vice President for Student Affairs Christine Wilson and Chief Business Officer Laurie Gardner presented the proposed budget for FY2022 for UMF. UMF will use \$1,688,840 in CARES funds, \$145,961 in campus reserves, and \$1,778,222 in budget stabilization funds to mitigate a \$3,613,023 deficit and present a balanced FY2022 budget. UMF FY2022 E&G and Auxiliary budget reflects an increase in total revenue of 3% and total expenses of 3.8%. FY2022 UMF enrollment is projecting consistent with FY2021 budgeted and an increase of 2.7% above FY2021 actuals, including Early College. There is a projected decrease in full-time equivalent positions of 2.76. The FY2022 undergraduate tuition increases are 2.5% for in-state students. UMF residence hall occupancy rate is projected at 82% of original capacity and 100% of Covid-restricted capacity. UMF is implementing a three year strategic plan in FY2022, that directly addresses difficult issues that have historically hindered organizational performance.

EXECUTIVE SESSION

On a motion by Trustee Martin, which was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Finance, Facilities and Technology Committee agreed to go into Executive Session under the provision of:

- 1 MRSA Section 405 6-C to discuss the condition, acquisition or disposition of real property or economic development if premature disclosure of the information would prejudice the competitive or bargaining position of the UMS.

On a motion by Trustee Cain, which was seconded by Trustee Erwin, and approved by a roll call vote of all Trustees present, the Committee concluded 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/finance-facilities-technology/>

Adjournment.

Heather A. Massey for
Ellen N. Doughty, Clerk