

# UNIVERSITY OF MAINE SYSTEM

Board of Trustees Meeting  
Zoom Meeting

April 9, 2021

## **Finance/Facilities/Technology Committee**

**Present: Committee Members:** James Donnelly, Chair; Timothy Doak, Mark Gardner, David MacMahon, Trish Riley, Emily Cain, Peggy Rotundo and Kelly Martin. **Non-Voting/Non Committee Member Trustees:** Roger Katz. **Chancellor:** Dannel Malloy. **Presidents/Law School Dean:** Joan Ferrini-Mundy, Becky Wyke, Glenn Cummings and Leigh Saufley. **Faculty Representative:** Clyde Mitchell. **System Staff:** Ryan Low, Ellen Doughty, Robert Placido, James Thelen, Miriam White, David Demers, Chip Gavin, Sam Warren, and Jeff St. John. **Other Participants:** Carolyn McDonough, Nicole Vinal-Harvie, Betsey Sawhill, Pam Ashby, Christine Wilson, Eric Brown, Joanne Yestramski, Alec Porteous, and Buster Neel.

**Committee Members Absent:** James Erwin.

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

**Gordian (Sightlines) Data.** Vice Chancellor for Finance and Administration and Treasurer Ryan Low presented data from the Gordian (Sightlines) Report. Vice Chancellor Low thanked Chancellor Malloy for encouraging the focus on facilities. UMS has tried to make progress by holding steady in this area and the report displays some improvement. It has been very difficult to move the needle. The Chancellor has challenged the staff to put together a plan and a proposal has been developed. Vice Chancellor Low also thanked UMS Chief General Services Officer Chip Gavin and UMS Director of Capital Planning and Project Management Carolyn McDonough who lead these efforts on a daily basis with the Facilities Directors across the System. He also thanked the Presidents and their staff. It is not easy to prioritize roof repairs and facilities.

### **Status of Construction at UMS**

The Capital Project Status Report is provided to the Finance, Facilities and Technology Committee members at each meeting and is included in the meeting materials for each Board of Trustees meeting. This report is a detailed snapshot of all ongoing projects across the System. The Board has approved a number of large projects recently. For example, the UMS Career and Student Success Center and residential hall and in January the large Energy Project. Vice Chancellor Low shared a new graph that has been developed to visualize all of the capital projects by campus color coded by the various stages. This draft chart also summarized the project timelines and estimated costs. Details are still being finalized for this chart.

### **Gordian Report – UMS Action Plan**

Vice Chancellor Low explained the three part Action Plan – annual budgeting commitment, policy changes and space reduction. A number of different funding strategies for deferred maintenance have been developed over the years but UMS continues to underfund this area. For FY2022, UMS started out with the FY2021 base budget then add in the restored campus curtailment amount of approximately \$1 million then added 5% to the total amount. This will result in a short term 20% increase in capital investment for the FY2022 budget over the FY2021 numbers. If

the FY2022 budget is approved it would equate to 67% of depreciation expenses being funded, up 12% from the FY2021 funding level. These new funding amounts will be part of base budget going into FY2023 with a 5% increase.

Historically UMS has had a disconnect between budget and actual spending on facilities due to mid/end of the year adjustments due to changing budget circumstances. This does not happen every year for every campus. For FY2022 there will be a new policy change that requires all dollars budgeted for capital must be spent on capital investments. Resources not transferred to capital projects by year-end will be moved into a capital reserve account. The current policy already states that capital reserve funds must be spend on capital investments.

The third component of the Action Plan focuses on space reduction. UMS will continue to work on a space management plan which will focus discussions on which assets are not essential to the core mission and strategy of each institutions. Divesting in facilities will lower costs, increase density and increase the Net Asset Value (NAV) rate. From 2000-2019, UMS removed dozens of buildings and more than 100,000 gross square feet (gsf) of space. Most of that work was at our smaller campuses. UMA and UMFK has been particularly aggressive about removal of space. The removal of Kimball Hall in 2017 at UMM, which was nearly 28,000 gsf was the most prominent of those projects. The space reduction target for the FY2020 – FY2021 include 24 buildings and more than 68,000 gsf for demolition. Almost half is already completed.

For FY2023, UMS plans to repurpose the annual commitment to debt service plus freed up debt service to support a \$15 million System-wide demolition bond. This could make substantial progress on building demolition. This could potentially remove 63 buildings at 550,000 square feet of space and the average NAV rate of these buildings is 40%. This would also eliminate over \$70 million of reinvestment that would otherwise be needed. The following projects have been targeted for the next round of demolition: UMFK St. David House, UM DMC McGuire Cow Barn, UMF Brinkman House, UM School of Law, and UMPI Normal Hall.

Trustee Committee members raised concern about a process and criteria for the prioritization of new capital projects. This would provide Board members the information for which projects should be approved and should ones should not move forward. Vice Chancellor Low responded by stating the one item that will help that with that conversation is the one, five and ten year Capital Plans which will be presented to the Finance, Facilities and Technology Committee in May. Also Gordian has signed a contract with the other two higher educational institutions in Maine along with State Government. This will be one data set to measure buildings across all of our facilities and will be helpful to policy makers. UMS facilities are by far in the worst condition of that group.

**FY2022 Budget Update / Changes.** Vice Chancellor Low stated this budget update was scheduled to provide the Committee any updates or changes to the FY2022 budget. However, there has not been much change to the FY2022 budget. Vice Chancellor Low provided information on the federal relief dollars. This funding is playing a significant role in balancing the campus budgets in FY2021 or FY2022. UMS has received three different rounds of federal funds for institutional dollars. There has also been funding to student federal funds. Vice Chancellor Low focused the information on just the institutional dollars. The first CARES Act dollars was passed on March 2020 for \$9.3 million for institutional support. The focus on these dollars was to reimburse campuses for cost associated with the delivery of instruction due to the pandemic and these funds could not be used for reimbursement of lost revenue. The second round for the Coronavirus Response and Relief Act passed in December 2020 which included

approximately \$23 million to cover expenses related to the coronavirus, which could be used for lost revenue. These funds will be used to help the campuses balance FY2021 or FY2022 budgets. It is a very detailed process to document the lost revenues. This will be a consistent process across all campuses. The third round of funding is the American Rescue Plan passed in March 2021. The criteria is consistent with the second round of funding and the allocations have not been finalized. This funding will be approximately \$26.5 million. When the campus budgets were presented in March 2021, the budget were balanced in part with the use of these federal resources. The majority of the campus losses are one-time losses associated with the pandemic i.e.: lower room occupancy, lower board, and less ticket revenue. The majority of the federal support will be used in FY2021 in the amount of \$24.6 million and \$3.5 million will be used in FY2022. There is approximately \$22 million that has not be allocated and UMS has until calendar year 2023 before all of the funds are spent. Campuses will be submitting plans on how to use the remainder of the federal support. Because these are one-time funds, the campuses will need to use the support for one-time expenses.

Vice Chancellor Low thanked our federal delegation for their support with this funding support.

During the budget presentations on March 26<sup>th</sup> several campuses referenced their relationships with Academic Partnerships (AP). In order to provide additional information to the Committee, Vice Chancellor for Academic Affairs Robert Placido provided a brief history of UMS interest in expanding on-line offerings and contracting with AP for these services. The AP team guided UMS through a series of improvement projects and student contact and on-boarding, including a new academic calendar and aligning our financial aid calendar for six start dates and seven week sessions. AP committed time and money to reinvent some of our programs. The agreement was to pay them back through revenue sharing. AP pays to market the programs, they staff a large call center to rapidly respond to students, and remains in contact with the students until they are matriculated. UMS contracted with AP for 26 program and concentrations. UMS had a disappointing first year and this past year all of our accelerated programs have begun to improve. UMFK doubled the number of nurses in their program.

Vice Chancellor Placido explained the three key elements for partnering with AP:

- AP added initial value and continues to work for their share of the revenue and AP and UMS share in each other's successes. It is a true collaboration.
- UMS only partnered with AP for hand full of programs. AP does not share in any of the other 100 programs and minors UMS has on-line.
- These accelerated programs, that include six start times per year, are distinctly different than our traditional on-line programs that have 16 week terms in the fall and spring.

### **EXECUTIVE SESSION**

On a motion by Trustee Riley, which was seconded by Trustee Martin, 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 Gardner, which was seconded by Trustee Doak, 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.

Ellen N. Doughty, Clerk