

UNIVERSITY OF MAINE SYSTEM  
Board of Trustees Meeting

Zoom Meeting  
June 14, 2021

**Finance/Facilities/Technology Committee**

**Present: Committee Members:** James Donnelly, Chair; Timothy Doak, Peggy Rotundo, Mark Gardner, David MacMahon, Trish Riley, Emily Cain, and James Erwin. **Other Trustees:** Irene Neal, Sven Bartholomew, and Roger Katz. **Chancellor:** Dannel Malloy. **Presidents & Dean of the Law School:** Leigh Saufley, Joan Ferrini-Mundy, Edward Serna, Ray Rice, Deborah Hedeem, and Glenn Cummings. **Faculty Representative:** Clyde Mitchell. **System Staff:** Ryan Low, Ellen Doughty, Robert Placido, James Thelen, Chip Gavin, Sam Warren, Miriam White, Jeff St. John, Laura Cyr, and David Demers. **Other Participants:** Joanne Yestramski, Laurel Hyle, Carolyn McDonough, Betsey Sawhill, Laurie Gardner, Buster Neel, Pam Ashby, Alec Porteous, and Nicole Vinal-Harvie.

**Committee Members Absent:** Kelly Martin.

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

**EXECUTIVE SESSION**

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

Following the Executive Session, Chair Donnelly reconvened the public meeting. The following items were discussed:

**FY2022 Proposed Operating Budget and Student Charges – Revised Second Reading, UMS**

Vice Chancellor for Finance and Administration and Treasurer Ryan Low presented the updated FY2022 proposed unified operating budget and the Governance and University Services budgets. This is an updated second reading of the FY2022 proposed operating budget and upon approval this request will be submitted to the Trustees at the June 25, 2021 Special Board meeting for final approval. Shortly before the May 24<sup>th</sup> Board of Trustees meeting, UMS learned that Governor Mills had proposed a 3% increase to UMS State appropriations. With this information, UMS asked the Trustees to pull approval of the proposed FY2022 budget from the agenda. UMS wanted additional time to reassess the proposed budget to remove the originally proposed in-state tuition increase and find a way to present a balanced budget using the increased state appropriations. Federal funding is being used in FY2021 and FY2022 to cover Covid-19 related expenses and/or lost revenue. 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.

### FY2022 Budget Overview

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. State Appropriation will see a 3% increase plus \$1.5 million specifically for the Law School. The total amount UMS will receive from FY2022 new appropriation funds is \$6,373,541, which includes the \$1.5 million extra for Maine Law. Due to the increase in State appropriation, UMS is able to present the budget without any tuition increases for in-state students. Removal of the in-state tuition increase caused an additional \$4,158,686 gap in the UMS budget, bringing the total to revised gap to \$13,566,744. The campuses are using a combination of FY2022 new state appropriation funds, CARES Act funds, campus reserves, and System budget stabilization funds to balance their proposed FY2022 budgets. UMA, USM, UMFK and UMPI are relying on CARES funds to offset their budgeted operating losses in FY2022. UMF is utilizing CARES funds, new State appropriation funds, campus reserves, and is requesting the utilization of previously approved Budget Stabilization Funds to balance their budget. Maine Law will use \$2 million in new State appropriations and with minimal CARES funds and no campus reserves, they are requesting Budget Stabilization Funds to offset their operating loss. UM will have exhausted CARES funds and will utilize state appropriations and campus reserves to balance their budget. Since the proposed FY2022 budget presentation that was approved at the May 5th Finance, Facilities, and Technology (FFT) Committee meeting, CARES fund utilization has increased by \$1,391,053, Campus Reserve utilization has increased by \$1,505,655 and Budget Stabilization fund utilization has decreased by \$726,075 System-wide. Overall, in institutional funds UMS has received a little over \$49 million in CARES funds over the course of three rounds of funding, spanning over calendar years 2020 and 2021. Approximately \$27 million of those CARES funds have been allocated for FY2021 and just over \$4.9 million has been allocated for FY2022. This leaves a CARES fund balance of about \$17 million. The CARES funds are allocated directly to campuses and UMS does not have the ability to move the funds around as needed. The remaining federal funds will need to be used in a manner that is consistent with federal guidelines. The campuses are researching ways to use their remaining CARES funds on a one-time use projects (most likely facilities related) that fall within federal guidelines for use of this money.

On a motion by Trustee Cain, 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 forward this item to the June 25, 2021, Special Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees accepts the recommendation of the Finance, Facilities and Technology Committee, and approves the FY2022 Updated Proposed Operating & Capital Budget, Recommended Student Charges, and proposed transfers from Institutional Reserves including Budget Stabilization Funds.

### Multi-year Financial Analysis (MYFA), UMS

Vice Chancellor Low provided an overview of the UMS 5-year Multi-year Financial Analysis (MYFA). The System has been presenting the 5-year MYFA since 2008 and over the years, it has become a much more sophisticated and dialed in process. The 5-year MYFA is a projection for the state of UMS finances starting with the upcoming fiscal year and then projected out across the following four fiscal years. The MYFA tracks seven general areas that are the biggest determining factors in the condition of the UMS finances. The seven areas that are tracked are Consumer Price Index (CPI), State appropriation, tuition rate (in-state, undergraduate), compensation, full-time benefit rate, funded depreciation, and other non-compensation expense. In order to generate the MYFA, UMS makes modest assumptions about these areas to attempt to predict how they will change and affect the budget/finances over the next five years. UMS tracks the CPI at 2.1% as forecasted by the Consensus Economic Forecasting Commission. It uses CPI to help make assumptions and projections for other tracked areas in the MYFA, such as tuition rates and other certain expense increases. The State appropriation figures in the MYFA are the System's best guest based on the State's four-year revenue forecast. Total compensation across the System is about 67% of the UMS E&G

and Auxiliary budget. Meaning that forecasting compensation and benefit rate as close to actual as possible is critical to ensure value in the MYFA data. Funded depreciation increases are built in to the MYFA with the idea that campuses will continue to add much needed funding in this area, year over year. The System MYFA percentages are provided to the campuses and then the campuses can make some adjustments to some of the figures based on their particular campus initiatives. Once the campuses apply their updated percentages and generate cost projections, they send the data to Vice Chancellor Low's team and the aggregate data is presented to the Trustees annually in the MYFA report. The current MYFA spans from FY2022 to FY2026. Vice Chancellor Low presented the current consolidated E&G and Auxiliary net change figure assumptions for that period. The MYFA, combined E&G and Auxiliary net change, shows UMS starting with a budget gap of just over \$10 million in FY2022 with an assumption of a decrease in the gap over the next 4 years bringing the projected budget gap to just over \$4 million in 2026. Vice Chancellor Low provided more in depth details about the type of data that the System and campuses populate into the MYFA in order to keep projections as accurate as possible.

Trustee Erwin stated that it is important to note that the data in the MYFA is projected with the assumption that UMS does not take any steps to mitigate the factors that are causing the budget gaps. He explained that it will be critical for the System to provide the Trustees with additional details concerning how changes to assumptions will affect the MYFA and how UMS is proactively addressing the issues that are driving the elements that keep UMS perpetually below revenue neutral. Vice Chancellor Low explained that he had planned on providing the Trustees with a few examples of how the data can change based on adjustments to the original percentages assumed in a specific category; however, the time for this presentation was shortened due to an extended Executive Session. He stated that he will plan to provide these types of scenario examples when the MYFA is presented again at the June 25<sup>th</sup> 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/meeting-agendas-materials/finance-facilities-technology/>

Adjournment.

Heather A. Massey for  
Ellen N. Doughty, Clerk