

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

Zoom Meeting
June 25, 2021

Board of Trustees Meeting

Present: Mark Gardner, Chair; James Donnelly, Vice Chair; Kelly Martin, James Erwin, Trish Riley, Lisa Eames, Roger Katz, Beth Dobson, Mike Michaud, Peggy Rotundo, Emily Cain, Tim Doak, David MacMahon, and Sven Bartholomew. **Chancellor:** Dannel Malloy. **University Presidents & Law School Dean:** Leigh Saufley, Joan Ferrini-Mundy, Edward Serna, Becky Wyke, and Deborah Hedeem. **Faculty & Student Representatives:** Clyde Mitchell and Kennedy Rubert-Nason. **System Staff:** Robert Placido, Ryan Low, Ellen Doughty, Carolyn Dorsey, Chip Gavin, Rosa Redonnett, Jeff St. John, Miriam White and James Thelen.

Absent: Pender Makin and Irene Neal.

Friday, June 25, 2021

Trustee Gardner, Chair, welcomed everyone and called the public meeting to order.

EXECUTIVE SESSION

On a motion by Trustee Eames, which was seconded by Trustee Martin, 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-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment and duties.
- 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.
- 1 MRSA Section 405 6-D to discuss planning for negotiations and communications with AFUM, UMPA, ACSUM, Police, PATFA, and Service and Maintenance Units.

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

PUBLIC SESSION

Following the Executive Session, Trustee Gardner, Chair, reconvened the public meeting, welcomed everyone and called the meeting to order. Chair Gardner stated that the meeting was being held via Zoom and being live streamed to YouTube for the public. He explained that Governor Mills has allowed UMS to hold virtual Board meetings under the condition that roll call votes are taken for each action item. 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 Gardner thanked Chancellor Malloy, Vice Chancellor for Finance and Administration & Treasurer

Ryan Low and his finance team, and the campus Presidents and staff for all of their hard work to pull the revised budget together over the past year. He acknowledged that this year has been especially trying for the System due to Covid-19 pandemic related issues. Additionally, he thanked Governor Mills and the legislature for the proposed 3% increase in State appropriations and for their continued support of the UMS.

ACTION ITEMS

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

Vice Chancellor Low echoed Chair Gardner's sentiments and thanked Chancellor Malloy, and the campuses on their excellent work in preparing the revised budget. He also thanked Vice President for Budget and Financial Analysis Miriam White and Trustee Donnelly, Chair of the Finance, Facilities & Technology (FFT) Committee for their help in the budget process. This is an updated second reading of the FY2022 proposed operating budget. The request was previously presented at the June 14th Special FFT Committee meeting and the Committee voted to forward it to this meeting for final approval. 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 for FY2022 and FY2023. 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 appropriations, 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 (\$3,473,224), CARES Act funds (\$4,963,371), campus reserves (\$1,651,616), and System budget stabilization funds (\$3,478,533) 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 approximately \$1.5 million in 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 of approximately \$1.9 million 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 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.

A UMS Task Force is exploring restructuring of tuition & fees and ways of simplifying bills for transparency. UMaine is proposing consolidating some mandatory fees into the FY2022 tuition rate as part of a UMS pilot. UMaine's per credit hour tuition would increase by approximately \$80 (UMM by \$37) if all but 2 mandatory fees were rolled into a single tuition rate. USM is proposing a pilot to simplify its current fee structure. The proposal would consolidate most student fees, including course fees, into a new Comprehensive Fee \$60 per credit hour). While there is no tuition increase for in-state students System-wide, UMA, UMF, and USM are proposing a 2.5% increase for undergraduate out-of-state students. Additionally, UMA is proposing a 2.6% increase and USM is proposing a 2.5% increase for out-of-state graduate students. 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%. Unrestricted capital investments are increasing by \$4.5 million or 20% over FY2021 budget. The Maine Economic Improvement Fund (MEIF) is flat funded at \$17.35 million in the Governor's biennial budget. 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 \$15.6 million; an increase of \$3 million. Funding through Debt Service will be increasing by \$1.5 million. 67% of the total depreciation expense is funded in the FY2022 budget, which is up 12% from the FY2021 budget.

Trustee Donnelly thanked Vice Chancellor Low, his finance team, and the campuses for their tremendous work to present this updated budget. He reminded the Trustees that UMS has substantially increased the funded depreciation dollars since the last budget and stated that this is projected to be the trend going forward to start to chip away at the UMS infrastructure issues. Chancellor Malloy reiterated those statements and provided a few more details about how increased funding for deferred maintenance is an integral part of the long-range plan for the System.

Trustee Erwin also thanked everyone involved in preparing the proposed FY2022 budget for their hard work. He stated that when he looks at the just over \$10 million gap in the budget; he is concerned that UMS does not have a long-term plan to pull the System out of the red. He explained that UMS used CARES funds, campus reserves, and budget stabilization funds to present a balanced budget, which is concerning because the CARES funds will likely not be available going forward and campus reserves and budget stabilization funds cannot continue to fund this gap. He explained that UMS has been in the red for a while and without a long-term plan, the System will not be able to get into a stable financial position. He stated that he felt it was important to remain transparent about this issue and that he believes some difficult decisions will need to be made in the following fiscal year budgets. Vice Chancellor Low stated while he does not disagree with Trustee Erwin's remarks, the reality is that the reason the budget gap was so large for FY2022 was due to pandemic related issues. He also explained that while there will likely not be any CARES funds going forward, he also expects that the pandemic related expenses will decrease substantially, meaning the need for those one-time funds will also decrease. Chancellor Malloy explained that the research shows it will likely take UMS approximately 5 years to fully recover from the financial impact of the pandemic and that the System is working hard to find ways to expedite recovery. He noted that UMS is facing demographic and other long-term issues that were surfacing before the pandemic and the System continues to bolster initiatives to mitigate these challenges as well.

On a motion by Trustee Donnelly, which was seconded by Trustee Doak, and approved by a roll call vote of all Trustees present, the Board of Trustees accepted the recommendation of the Finance, Facilities and Technology Committee, and approved the FY2022 Updated Proposed Operating & Capital Budget, Recommended Student Charges, and proposed transfers from Institutional Reserves including Budget Stabilization Funds.

DISCUSSION ITEMS

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, thanks in large part to Financial Analyst David Jones. 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 current MYFA spans from FY2022 to FY2026. 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. The System MYFA percentages are provided to the campuses and then the campuses can make adjustments to

some of the figures based on their particular campus initiatives. Once the campuses apply their updated information 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. Vice Chancellor Low explained that in past years the MYFA was not as accurate as hoped when aggregate campus data was compiled. He stated that his team worked with Vice Chancellor for Academic Affairs Robert Placido to take his model that projects enrollment and incorporate that data into the MYFA. This allows for campuses to add more accurate details to the MYFA. Campuses can now make adjustments for things such as how a new program or initiative will influence their campus enrollment, revenues, and costs, which allows for more flexibility and accuracy in the data that the MYFA generates. Vice Chancellor Low displayed the live MYFA spreadsheet and 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. He explained how the different data tables work and how they interact with each of the other data tables to populate the various overall data points.

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 guess 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. 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 FY2026. Vice Chancellor Low showed the Trustees how the MYFA can be adjusted at any time based on new information and how that would affect the overall data in the MYFA. He presented scenarios for unexpected increased State appropriations in FY2023 and unexpected increased compensation in FY2024. He walked the Trustees through how those changes would affect the data presented in the MYFA. Additionally, he explained how this type of flexibility allows the System to project data more accurately over time and provides the possibility to take proactive steps to try to mitigate any issues these types of changes may cause.

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 July 26, 2021, via Zoom.

Adjournment.

Heather A. Massey for
Ellen N. Doughty, Clerk