

Board of Trustees

**Finance, Facilities & Technology Committee**

April 17, 2024 at 9:00am

Zoom Meeting – No Physical Location Available

The public is invited to view the meeting on YouTube. The link to the Board of Trustees YouTube page can be found the Board website: <https://www.maine.edu/board-of-trustees/>

**AGENDA**

- 9:00am – 9:05am            Call the meeting to order and Roll Call
- 9:05am – 9:50am  
TAB 1                    **UMS and Shared Services Budget and Budget Changes**
- 9:50am – 9:55am  
TAB 2                    **Allocation Model**
- 9:55am – 10:15am  
TAB 3                    **“One-time” Benefit Rate Reduction**
- 10:15am – 10:35am  
TAB 4                    **Tuition / Financial Aid Discussion**
- 10:35am – 10:50am  
TAB 5                    **Reserve Policy**
- 10:50am – 11:30am        Committee Q & A
- 11:30am – 12:00pm        **EXECUTIVE SESSION**  
The Finance, Facilities, & Technology Committee will enter Executive Session under the provision of: 1 MRSA Section 405 6-A and 6-C

Action items within the Committee purview are noted in green.  
Items for Committee decisions and recommendations are noted in red.

*Note: Times are estimated based upon the anticipated length for presentation or discussion of a particular topic.  
An item may be brought up earlier or the order of items changed for effective deliberation of matters before the Committee.*

University of Maine System  
Board of Trustees

**AGENDA ITEM SUMMARY**

**NAME OF ITEM:** UMS and Shared Services Budget and Budget Changes

**INITIATED BY:** Roger J. Katz, Chair

**BOARD INFORMATION:** X

**BOARD ACTION:**

**BOARD POLICY:**  
700

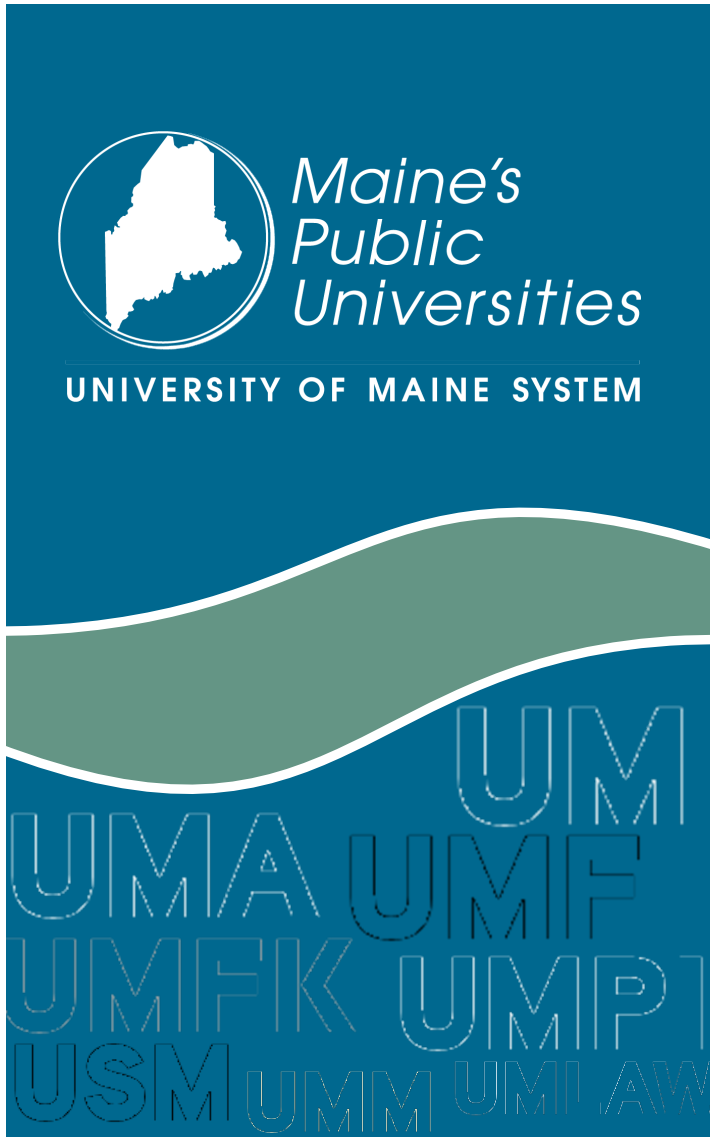
**UNIFIED ACCREDITATION CONNECTION:**

**BACKGROUND:**

Vice Chancellor Ryan Low will briefly cover 3 items:

- 1) University of Maine System Budget
- 2) Shared Services Budget
- 3) Budget Changes since the March 20<sup>th</sup> FFT

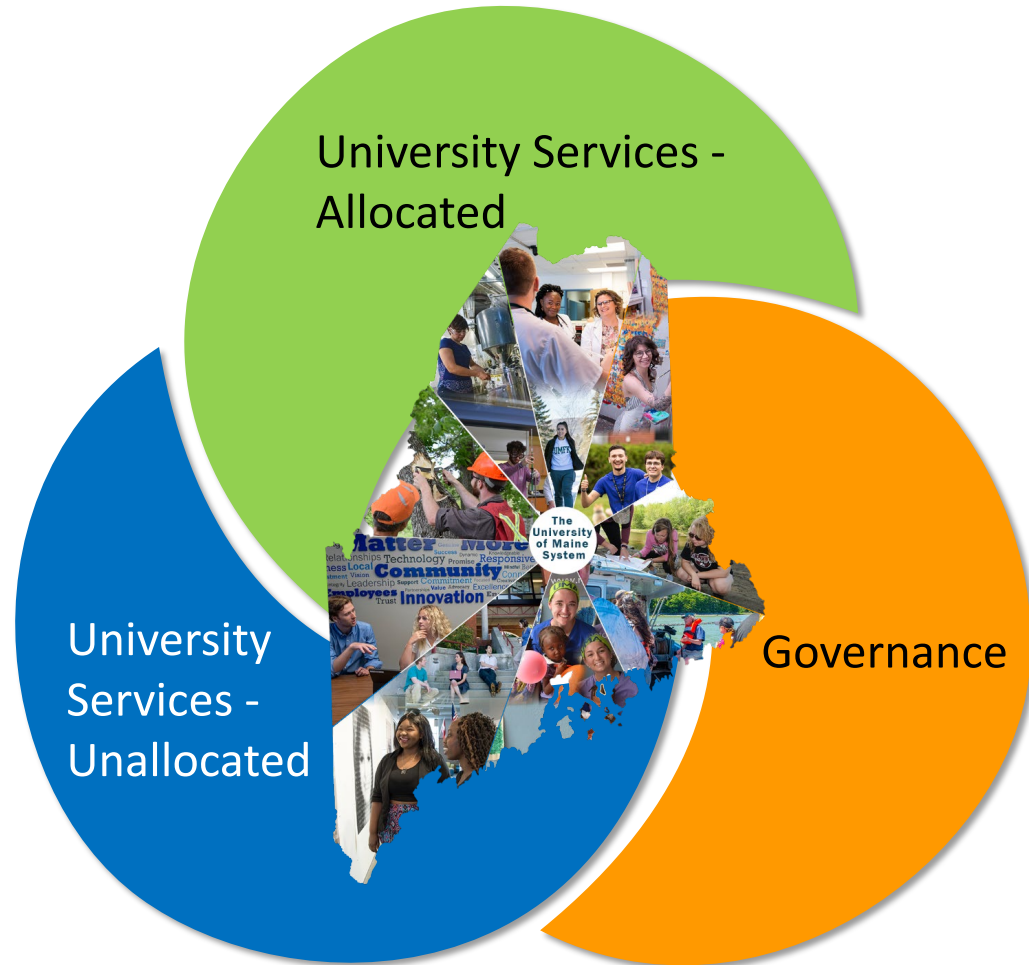
Attachment  
[Gov & Shared Services](#)

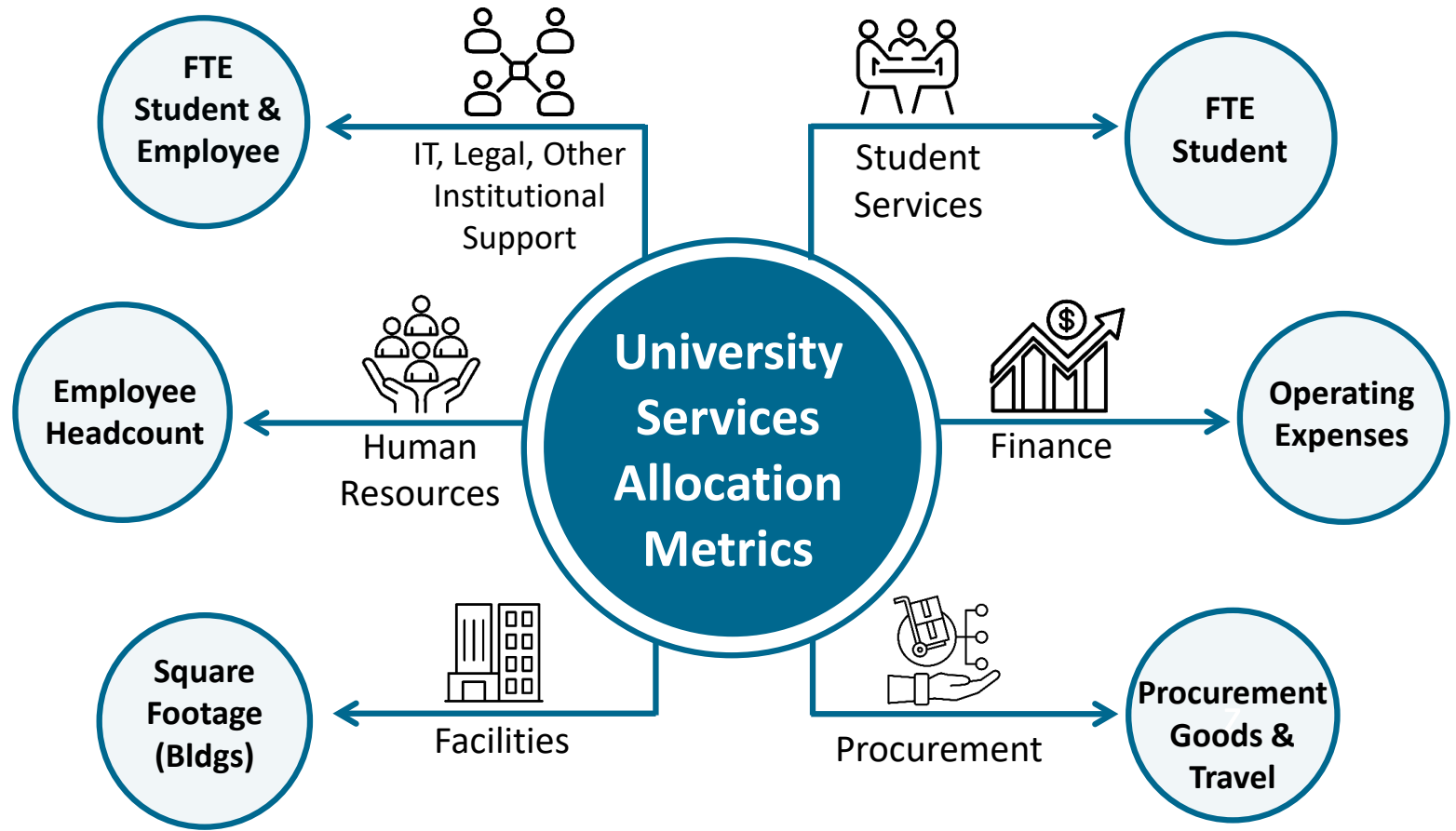


# Governance and University Services FY25 Budget Review

For Review & Discussion at the April FFT Workshop

# The “System Office” is Comprised of 3 Units

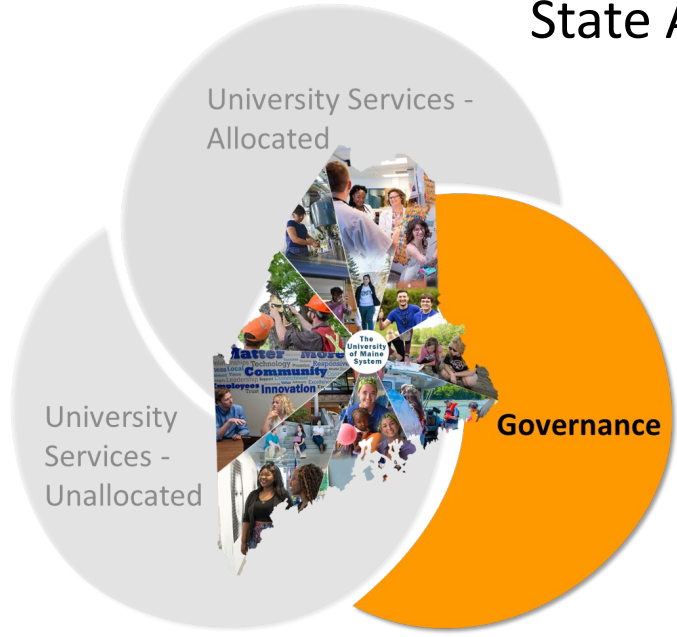






# Governance - \$6.7M

Funded directly with State Appropriation



### 26 Positions

Board of Trustees	17
Chancellor	
Senior Leadership	
Supporting Staff	9

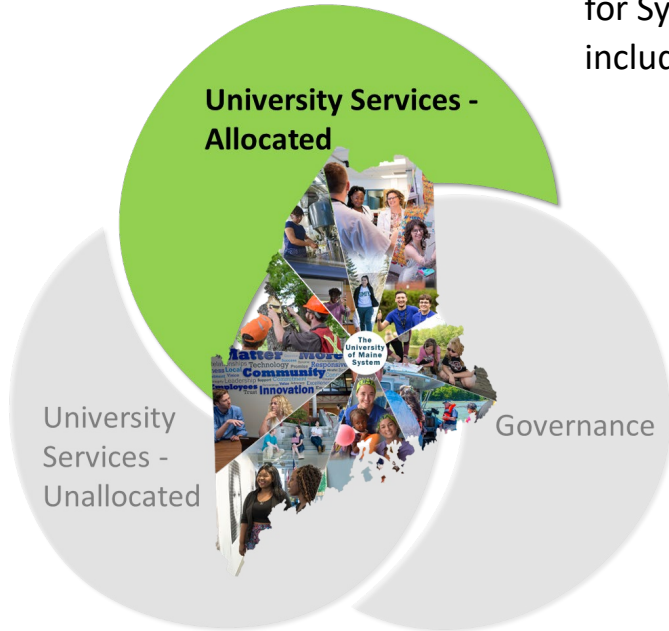
# Governance

	<b>FY24 BASE</b>	<b>FY25 BASE</b>	<b>BUDGET CHANGE</b>	
<b><u>Revenues</u></b>				
State Appropriation	\$6,714,619	\$6,714,619	\$0	0.0%
<b><u>Expenses</u></b>				
Salaries, Wages & Benefits	5,477,660	5,395,467	(82,193)	-1.5% Benefit Rate
Attrition (Salary Only)	-	(26,603)	(26,603)	-%
Personnel	5,477,660	5,368,864	(108,796)	-2.0%
Other Expenses & Transfers:				
Supplies & Services	117,165	117,165	-	0.0%
Shared Services	1,131,231	1,109,255	(21,976)	-1.9% Benefit Rate
Travel	132,750	132,551	(199)	-0.1%
Memberships	76,300	76,300	-	0.0%
Maintenance	2,100	2,100	-	0.0%
Other Expenses	93,183	93,184	1	0.0%
Transfers - Other	(215,000)	(184,800)	30,200	-14.0% offset by attrition
<b>Total Other Expenses &amp; Transfers</b>	<b>1,337,729</b>	<b>1,345,755</b>	<b>8,026</b>	<b>0.6%</b>
<b>Total Operating Expenses &amp; Transfers</b>	<b>6,815,389</b>	<b>6,714,619</b>	<b>(100,770)</b>	<b>-1.5%</b>
<b>Operating Increase (Decrease)</b>	<b>\$ (100,770)</b>	<b>\$ -</b>	<b>\$ 100,770</b>	<b>-100.0%</b>
Other Strategic Transfers from/(to) Reserves	100,770	-	(100,770)	
<b>Net</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	



## University Services – Allocated \$53M Operating Budget

Administrative oversight and direct support for System and Campus operations including:



**386 Positions**

• Informational Technology (\$31M)	206
• Human Resources (\$8M)	53
• Finance & Budgeting (\$6M)	46
• Facilities	11
• Risk Management & Safety	16
• Procurement	26
• General Counsel/Org. (\$1M)	8
• Shared Processing Center (\$1M)	20

An orange bracket on the right side of the table groups the following rows: Facilities, Risk Management & Safety, and Procurement. To the left of the bracket, the text '\$6M' is displayed.



# Unified Services vs Campus Services

*Allocated University Services are further designated as Unified Services or Campus Services*

**\$39M**

**Unified Services** include individuals that are responsible for oversight and support for all campuses; costs are allocated to campuses based on appropriate metrics (# of employees, square footage, etc.)

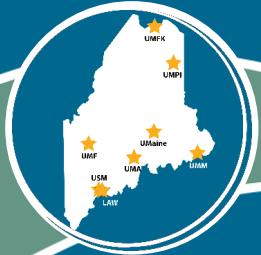
## Examples

Controller's Office – central financial activities including audited financial statements, cash management, investments, System policies, etc. The expense budget for this department is allocated across all campuses.

**\$14M**

**Campus Services** include individuals that are part of University Services yet their primary responsibility is to the specific campus where they are located. Segments of IT, HR, Facilities, and Finance are classified as Campus Services.

UMA Campus CBO & staff - these individuals are part of the University Services overall budget, but they are classified as Campus Services as their primary responsibility is the financial oversight of UMA. The UMA Finance Office expense budget is allocated directly to UMA.



# Allocated Services



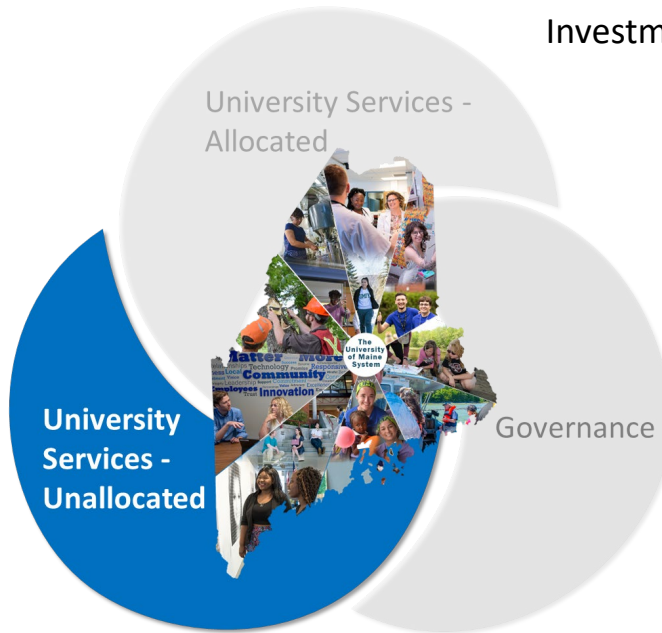
	<u>FY24 BASE</u>	<u>FY25 BASE</u>	<u>BUDGET CHANGE</u>	
<b>Revenues</b>				
Indirect Cost Recovery	\$ 1,000	\$ 1,000	\$ -	0.0%
Investment Income/Gifts	264,155	264,155	-	0.0%
Sales/Services/Auxiliary	645,582	615,582	(30,000)	-4.6% IT Revenue
<b>Total Revenue</b>	<b>910,737</b>	<b>880,737</b>	<b>(30,000)</b>	<b>-3.3%</b>
<b>Expenses</b>				
Salaries, Wages & Benefits	\$41,704,814	\$40,930,299	(\$774,515)	-1.9% Benefit Reduction
Attrition (Salary Only)	(598,493)	(669,894)	(71,401)	11.9%
Personnel	41,106,321	40,260,405	(845,916)	-2.1%
Other Expenses & Transfers:				
Fuel & Electricity	11,530	11,830	300	2.6%
Supplies & Services	6,595,600	7,784,705	1,189,105	18.0% IT; Former Benefit Pool Consulting
Shared Services	(53,171,771)	(53,376,284)	(204,513)	0.4% Benefit Reduction
Travel	178,030	177,313	(717)	-0.4%
Memberships	105,096	104,836	(260)	-0.2%
Maintenance	2,648,746	2,552,056	(96,690)	-3.7% Shift to equipment
Interest	7,026	176	(6,850)	-97.5%
Other Expenses	1,865,159	2,221,070	355,911	19.1% IT non-cap infrastructure
Transfers - Other	531,463	157,499	(373,964)	-70.4% Transfer in of TII
<b>Total Other Expenses &amp; Transfers</b>	<b>(41,229,121)</b>	<b>(40,366,799)</b>	<b>862,322</b>	<b>-2.1%</b>
<b>Total Operating Expenses &amp; Transfers</b>	<b>(122,800)</b>	<b>(106,394)</b>	<b>16,406</b>	<b>-13.4%</b>
<b>Operating Increase (Decrease)</b>	<b>\$ 1,033,537</b>	<b>\$ 987,131</b>	<b>\$ (46,406)</b>	<b>-4.5%</b>
Less Capital Expenditures	(838,875)	(973,315)	(134,440)	16.0%
Less Debt Service Principal	(194,662)	(13,816)	180,846	-92.9%
<b>Net</b>	<b>-</b>	<b>-</b>	<b>-</b>	

# FY25 Budget

## University Services – Unallocated - \$16.5 Million

Appropriation - \$14M (\*\$4.3M ADC, EC, IVP; \$9.7M Strategic)

Investment Income \$2.5M



*Adult Degree Completion	1.50M
*UMS-Early College	1.65M
*Interpersonal Violence Prevention	400K
*Medical School Research	75K
UMS-Systemwide Marketing	750K
UMS-Institutional Research	500K
UMS-Research Reinvestment Funds	2.1M
Capital Planning	1.3M
Demolition	850K
Other: Diversity, Bonding, Library Ops, Exec Tran	
Financial Literacy, Distance Ed	550K
Maine Center	2.0M
Systemwide Research Support	875K
Library Software Investments	1.0M
Capital Investment	2.5M

University of Maine System  
Board of Trustees

**AGENDA ITEM SUMMARY**

**NAME OF ITEM:** Allocation Model

**INITIATED BY:** Roger J. Katz, Chair

**BOARD INFORMATION:** X

**BOARD ACTION:**

**BOARD POLICY:**

700

**UNIFIED ACCREDITATION CONNECTION:**

**BACKGROUND:**

Vice Chancellor Ryan Low will review the status of the FY25 allocations from the State, in addition to discussing the next steps for the UMS Allocation model.

4/8/2024

University of Maine System  
Board of Trustees

**AGENDA ITEM SUMMARY**

**NAME OF ITEM:** “One-time” Benefit Rate Reduction

**INITIATED BY:** Roger J. Katz, Chair

**BOARD INFORMATION:** X

**BOARD ACTION:**

**BOARD POLICY:**  
700

**UNIFIED ACCREDITATION CONNECTION:**

**BACKGROUND:**

Vice Chancellor Ryan Low will discuss the system’s benefit rate and reduction for FY25.

Attachment  
[Benefit Rate](#)

## FY25 BENEFIT RATE CHANGE

### CHANGING TO USE THE FEDERAL RATE FOR ALL FULL-TIME EMPLOYEES.

- Reduces confusion and complexity of calculating and administering internal & federal rates
- Oracle Cloud supports only 1 full time benefit rate

### UNALLOWABLE COSTS FOR FEDERAL RATE CALCULATION

- Wellness (Health coaching)
  - Third-party Administration (EBPA & Worker’s Compensation)
  - Actuaries
- FY25 costs budgeted in US Shared Services - \$600,000
- Dependent Tuition Waiver → FY25 costs budgeted in Campus Financial Aid \$2,113,500

**INTERNAL RATE** – prior year deficits and surpluses closed into the Benefit Pool Reserve allowing UMS to build a reserve which is advisable for self-insured entities. Future rates were not adjusted for accumulations in the benefit pool, i.e.- the fiscal year benefit rate was based solely on the projected benefit costs and compensation for that single year.

**FEDERAL RATE** – prior year over or under recoveries are applied to the calculation of future years’ rates.

### WHY IS FY25 RATE REDUCED?

1. Removal of \$2.7 million in unallowable costs from any benefit calculation as shown above
2. UMS experienced over-recoveries in the past which has the impact of artificially lowering the FY25 rate. If there had been no over-recoveries to consider, the FY25 federal benefit rate would have been 48.6%; however, the FY25 benefit rate is 43.7%. The total benefit cost is projected to be \$152M, but over-recoveries in prior rates totaling \$15M are being deducted from the total costs/rate calculation resulting in a rate that is projected to recover only \$137M. If our FY25 benefit costs are above \$137M...which we project they will be...then we would need to offset the excess by reducing the benefit pool reserve.

### FY26 AND BEYOND

If no significant over/under recoveries occur during FY25, then the Federal rate would rebound to 49% in FY26. (The benefit rate for FY24 is 51%)

University of Maine System  
Board of Trustees

**AGENDA ITEM SUMMARY**

**NAME OF ITEM:** Tuition / Financial Aid Discussion

**INITIATED BY:** Roger J. Katz, Chair

**BOARD INFORMATION:** X

**BOARD ACTION:**

**BOARD POLICY:**

700

**UNIFIED ACCREDITATION CONNECTION:**

**BACKGROUND:**

Vice Chancellor Ryan Low will review tuition and enrollment changes and its impact on financial aid at each of the campuses for the FY25 budget.

4/8/2024

University of Maine System  
Board of Trustees

**AGENDA ITEM SUMMARY**

**NAME OF ITEM:** Reserve Policy

**INITIATED BY:** Roger J. Katz, Chair

**BOARD INFORMATION:** X

**BOARD ACTION:**

**BOARD POLICY:**  
700

**UNIFIED ACCREDITATION CONNECTION:**

**BACKGROUND:**

Vice Chancellor Ryan Low will discuss potential changes to the system reserve policy.

Attachment  
[Reserve Policy Draft](#)



## UMS Reserve Policy - Potential Changes *For Discussion Only*

### Introduction

This memo outlines the current state of our reserve policies and proposes updates and clarifies usages of accounts.

### Current State:

The UMS currently maintains several categories of reserves, which include:

- Budget Stabilization Fund (BSF) (often referred to as the Rainy Day Fund): Recommended for use in mitigating the financial impacts of adverse investment markets and economic conditions in Maine. Funded by operating investment income, this has seen fluctuations ranging from gains of \$18 million to losses exceeding \$16 million over the past eighteen years.
- System Operating Reserve: Supports non-budgeted emergency needs, primarily from unspent end-of-fiscal-year system account funds. Recent uses include funding the "Repaving MaineStreet" initiative and necessary renovations at 300 Fore Street.
- Benefit Pool Carryover: Manages fluctuations in benefit plan costs, with a recommended reserve level to cover three to six months of expected health claims and expenses.
- Risk Management Reserve: Facilitates cost-sharing deductibles between the System and campuses, funded by annual campus contributions.
- Other Reserves: Includes E&G Operating, Auxiliary, and Capital reserves maintained by each campus.

### Recommended Changes:

- Policy Redraft: Propose redrafting the Administrative Practice Letter on reserves to specify targeted reserves for Risk, Capital, and Benefits, with refined language for the Operating Reserve and BSF.
- Clarifying BSF Usage: Recommend that the BSF support campus budgets only when necessary expense reductions would compromise campus viability, requiring approval from both the Finance Committee and the full Board of Trustees during the annual budget process.

- Defining Operating Reserve Utilization: This reserve should fund strategic investments that promote system-wide growth, stimulate reform, or expand programs benefiting the System as a whole.

5.1

The proposed policy changes aim to enhance the University of Maine System's financial stability and strategic investment capability. These recommendations will be discussed further in the upcoming meetings.

Draft