

UNIVERSITY OF MAINE SYSTEM  
Board of Trustees Meeting

at the University of Maine System  
May 17 & 18, 2015

**Board of Trustees Meeting**

**Present:** Samuel Collins, Chair; Gregory Johnson, Vice Chair; Thomas Desjardin, James Donnelly, James Erwin, Norman Fournier, Mark Gardner, M. Michelle Hood, Marjorie Medd, Shawn Moody, Paul Nelson, and Karl Turner. **Chancellor:** James Page. **Faculty Representatives:** Ray Albert, Uriah Anderson, Anne Blanke, Cathleen McAnney, Kim-Anne Perkins and Robert Rice. **Student Representatives:** Jamie Austin, Brad O'Brien, Dominic DeLuca, Jaclyn Jacobson, Alexa Harrison, and Connor Scott. **University Presidents:** Glenn Cummings, Joyce Hedlund, David Flanagan, Kathryn Foster, Wilson Hess, Susan Hunter and Linda Schott. **System Staff:** Tracy Bigney, Lynda Dec, Dan Demeritt, Chip Gavin, Cynthia Huggins, Theo Kalikow, Rosa Redonnett, Mark Schmelz, David Stevens, Richard Thompson, Kelley Wiltbank, and Rebecca Wyke.

**Absent:** Kurt Adams, Kevin McCarthy, Victoria Murphy, and Bonnie Newsom.

**Sunday, May 17, 2015**

Trustee Collins, Chair, called the meeting to order

**ACCEPTANCE OF MINUTES**

On a motion by Trustee Nelson, which was seconded by Trustee Medd, the minutes from the following meetings were unanimously approved as presented:

- March 9, 2015 – Finance/Facilities/Technology Committee Meeting
- March 15 & 16, 2015 – Board of Trustees Meeting
- April 13, 2015 – Human Resources & Labor Relations Committee Meeting
- May 1, 2015 – Investment Committee Meeting
- May 4, 2015 – Human Resources & Labor Relations Committee Meeting
- May 4, 2015 – Finance/Facilities/Technology Committee Meeting
- May 6, 2015 – Academic & Student Affairs Committee Meeting

**DISCUSSION TOPICS**

**Graduate and Professional Center Initiative Update.** Chancellor Page provided a brief overview of the Graduate and Professional Center Initiative and introduced Mr. Eliot Cutler as the Chief Executive Officer. Mr. Cutler provided a brief overview on his initial activities and next steps in the work on the initiative. The proposed Center will be a model and home for entrepreneurial, multi-disciplinary business and legal programs with statewide delivery and impact.

Development of the Center will be a public process leading to Board of Trustees approval. Mr. Cutler will work with the Graduate and Professional Center Initiative Steering Committee, campus leaders and community stakeholders to develop a strategic plan and operational plan, build partnerships, and develop and launch pilot programs.

**Report on the Student Government Association Summit.** Ms. Rosa Redonnett, Chief Student Affairs Officer, provided a brief overview of the Student Government Association Summit which

was held at UMaine on April 18 & 19, 2015. She thanked the host campus, the guest speakers and the Co-Chairs – Katharine Waldron and Tray Stewart.

Mr. Connor Scott, Student Representative from UM, provided additional information from the Summit and shared how beneficial the summit was for the students. Mr. Brad O'Brien, Student Representative from UMA commented that the timing of the Summit was very effective as the One University initiative begins.

### **COMMITTEE REPORTS**

Finance/Facilities/Technology Committee. Trustee Norman Fournier reported that the Committee met on May 4, 2015. The Committee agreed to forward to the Consent Agenda for the May Board meeting the establishment of the C. Ann Merrifield Professorship in Science Education at UM and an update to Board Policy 1002 – Environmental and Safety Policy. The Committee agreed to forward to the Board for discussion and approval of the FY2016 Unified Operating Budget, Recommended Student Charges, and Proposed Transfer from the Budget Stabilization Fund and Campus Reserves and the Strategic Integration Targets 2 & 3: Unified Finance and Administrative Structure. The Committee received a presentation on the UMA Strategic Initiatives, the Capital Projects Status Report and the draft FY2016 UMS Facilities Capital Projects Work Plan.

Human Resources and Labor Relations Committee. Trustee Marjorie Medd reported that the Committee met on May 4, 2015. The Committee reviewed and discussed the criteria for the UMA Presidential Search, the Human Resources Administrative Review change to the reporting structure, the Workforce Profile Report and the Turnover Analysis Report.

Investment Committee. Trustee Turner reported that the Committee met for an off-cycle meeting on May 1, 2015. The Committee approved termination of the Cube Global Multi-Strategy Fund and discussed and agreed to forward to the Board for approval the UM Advancement Alignment Task Force Recommendation for Management Fee on Endowments.

UMA President Search Committee update. Trustee Medd reported that the Committee met for their first meeting on May 11, 2015. The Search Committee members have been established and Terry MacTaggart, the consultant for the Committee, has completed the environmental scan. The Committee discussed the criteria for the president and the environmental scan. Finalists will be named in the Fall with a recommendation targeted for the November Board meeting.

Academic & Student Affairs Committee. Trustee Johnson reported that the Committee met on May 6 and recommended to forward to the Consent Agenda the following items: UMA Strategic Plan; three New Academic Programs – a MS in Spatial Informatics at UM, a BS in Conservation Law Enforcement at UMFK and a BS in Cybersecurity at UMFK/USM/UMA; definitional changes in the Board Policy 402 – Sex Discrimination, Sexual Assault, Relationship Violence, Stalking and Retaliation; and definition changes in the Student Conduct Code. The Committee had discussion with the Faculty and the Student Representatives to the Board of Trustees and a presentation and discussion on student success and completion. Ms. Ellen Chafee provided an update on APRIP.

### **RESOLUTIONS**

#### **Resolution for David Flanagan.**

The following resolution for David Flanagan was presented as a thank you for his dedication and leadership to the UMS:

Whereas, David Flanagan has served the University of Maine System and the State of Maine all his adult life;

Whereas, he has been a leader in business, government, education and civic life, dealing with some of the most challenging issues facing Maine and the university;

Whereas, service to the University has included ten years as a Trustee (1986 – 1995), with two years as Chair (1900-91);

Whereas, he was the leader of a Task Force that produced “Meeting New Challenges, Setting New Directions” in 2009 that brought to light and analyzed many issues being addressed by the Board’s current strategic initiatives;

Whereas, in July 2014 he accepted an appointment as President of the University of Southern Maine. In this role he has provided leadership during very challenging times and has laid the groundwork for USM’s transition to Maine’s metropolitan university and for the work of USM’s next ongoing president.

Whereas, David Flanagan will complete this chapter of his service to UMS on July 1, 2015;

Be it known to all that we, the University of Maine System Board of Trustees, offer our most sincere gratitude, thanks, and best wishes to David Flanagan for his outstanding contributions to the quality of higher education in Maine.

Approved on the 17<sup>th</sup> day of May 2015, by the University of Maine System Board of Trustees, acting as stewards of Maine’s public universities and their nearly 30,000 students, 5,000 employees and more than 120,000 living alumni.

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Board of Trustees approved the resolution for David Flanagan.

Mr. Flanagan provided brief remarks about the accomplishments at USM of the past year and next steps.

**Resolution for Kelley Wiltbank.** The following resolution for Kelley Wiltbank was presented as a thank you for his dedication and leadership to the UMS:

Whereas, J. Kelley Wiltbank has served with distinction as the University of Maine System General Counsel since 1998 and also served as the Clerk of the Board of Trustees from 2002 to 2013;

Whereas, over the last 17 years he has provided guidance to chancellors, presidents, Board members and many others on a myriad of legal issues, with an approach that melds legal knowledge, pragmatism and good will;

Whereas, higher education is a highly regulated, complex enterprise with widely dispersed decision making, providing legal guidance and overseeing outside counsel requires knowledge of a broad array of topics including areas such as student affairs, employment, intellectual property, real estate, and athletics;

Whereas, he was an early advocate of applying a risk management lens to all areas of university operations and was instrumental in developing a working group tasked with cataloguing and assessing risks;

Whereas, while he served as Clerk to the Board of Trustees for eleven years, he oversaw the operations of the Board of Trustees and guided development of Board policies and procedures. He served as advisor to Board and committee chairs and Board members, helping them more effectively fulfill their roles. He improved communication at the System and campus levels among Human Resources, Equal Opportunity, Labor Relations and the General Counsel's office by instituting regular conference calls to coordinate the University's response and to resolve matters more efficiently and effectively.

Whereas, he works effectively with everyone and respects all people and viewpoints. He is always quick to point out that we work in an environment where everyone is invested in the success of the University of Maine System and its students;

Whereas, J. Kelley Wiltbank will retire from UMS on June 30, 2015;

Be it known to all that we, the University of Maine System Board of Trustees, offer our most sincere gratitude, thanks, and best wishes to J. Kelley Wiltbank for his outstanding contributions to the quality of higher education in Maine.

Approved on the 17<sup>th</sup> day of May 2015, by the University of Maine System Board of Trustees, acting as stewards of Maine's public universities and their nearly 30,000 students, 5,000 employees and more than 120,000 living alumni.

On a motion by Trustee Medd, which was seconded by Trustee Gardner, the Board of Trustees approved the resolution for Kelley Wiltbank.

### **ACTION ITEM**

**UMS Strategic Plan.** UMA President Glenn Cummings and Chief Financial Officer Tim Brokaw, provided an overview of the UMA strategic plan.

#### Mission

UMA transforms the lives of students of every age and background across the State of Maine and beyond through access to high-quality distance and on-site education, excellence in student support and civic engagement, and innovative professional and liberal arts programs.

#### Vision

UMA will become Maine State University, the recognized state leader in distance education. Through innovation and collaboration, we will deliver undergraduate and graduate programs, on-site and at a distance, that prepare our students to succeed as engaged citizens, professionals and leaders.

UMA's mission is to transform the lives of students of every age and background across the State of Maine and beyond through access to high-quality distance and on-site education, excellence in student support, civic engagement, and professional and liberal arts programs. We have identified a bold new vision which is for UMA to become Maine State University, a recognized national leader in distance education. Through innovation and collaboration, we will deliver undergraduate and graduate programs, on-site and at a distance, that prepare our students to succeed as engaged citizens, professionals and leaders.

The University has identified three key strategies on which to focus:

- Improve Retention by Strengthening Student Success
- Advance Academics
- Cultivate Reputation and Resources

These directions support long-term strategic goals, with well-defined metrics, in seven key areas: Student Success, Enrollment, Academic Innovation, High Quality, Stewardship of Place/ State, Visibility and Branding, and Financial Sustainability. The plan includes a proposed \$1.6 million of incremental funding (through use of UMA reserves) over the next two years to support initiatives focused on achieving the three key strategies.

On a motion by Trustee Moody, which was seconded by Trustee Turner, the Board of Trustees approved the strategic plan and mission statement submitted by the University of Maine at

Augusta. Action on the proposal to change the name of the university is deferred pending further review and approval by the Board of Trustees.

## **Monday, May 18, 2015**

Trustee Collins reconvened the Board of Trustees meeting.

### **CITIZEN COMMENT**

Citizen Comment is a time regularly set aside for comments from the public. The following individuals spoke during the Citizen Comment period:

- Robert Rice - Term as Faculty Representative
- Ron Mosley - Shared Governance
- Jim McClymer – New Business
- Patti Miles – HR & Finance Proposal

### **CHAIR'S REMARKS**

**Faculty and Student Representatives to the Board of Trustees.** Trustee Collins presented Certificates of Appreciation to the following Faculty Representatives to the Board of Trustees for their leadership and dedication:

- Professor Robert Rice from UMaine
- Professor Valerie Hart from USM

Trustee Collins stated that Matt Clark, USM Student Representative, has resigned and Rebecca Tanous will be filling in until the appointment is confirmed.

### **Resolution for Theo Kalikow.**

The following resolution for Theo Kalikow was presented as a thank you for her dedication and leadership to the UMS:

Whereas Dr. Theodora Kalikow has served the University of Maine System with distinction for more than twenty years in leadership roles at the university and system level;

Whereas, Theodora J. Kalikow served as the President of the University of Maine at Farmington for 18 years, the longest-serving President since the University became a four-year college;

Whereas under her leadership, UMF was recognized as “One of America’s Best Colleges” by U.S. News and World Report for 15 consecutive years and as one of 20 outstanding colleges selected as national models of educational effectiveness;

Whereas during her Presidency, UMF added new programs, the Partnership for Civic Advancement, faculty positions and facilities including the UMF Education Center and the Emery Community Arts Center.

Whereas, Theodora J. Kalikow completed her service as President of UMF in June 2012. At that time she was granted the title President Emerita by the UMS Board of Trustees and was ready to begin a three-year post-presidential appointment;

Whereas, in July 2012 President Kalikow agreed to accept appointment as President of the University of Southern Maine when UMS was in need of interim leadership for a university facing challenging circumstances. She was appointed as president for one year and stayed a second year at the chancellor’s request;

Whereas, on July 1, 2014 Dr. Kalikow began service as Acting Interim Vice Chancellor and President Emerita with responsibility to develop a comprehensive, integrated plan for all universities of UMS to increase the

intentionality and impact of work in community engagement. Dr. Kalikow will complete this assignment and retire effective June 30, 2015;

Be it known to all that we, the University of Maine System Board of Trustees, offer our most sincere gratitude, thanks, and best wishes to President Theodora J. Kalikow for her outstanding contributions to the quality of higher education in Maine.

Approved on the 18th day of May, 2015, by a grateful University of Maine System Board of Trustees, acting as stewards of Maine's public universities and their 30,000 students, 5,000 employees and more than 185,000 living alumni.

On a motion by Trustee Fournier, which was seconded by Trustee Turner, the Board of Trustees approved the resolution for Theo Kalikow.

### **CHANCELLOR'S REPORT**

**Legislative Update.** Chancellor Page provided a Legislative Update. The UMS had an increase in the Governor's budget which was voted unanimously by the Education and Cultural Affairs Committee. However, the State budget including this increase has not yet been finalized. He mentioned that there have been a significant number of legislative bills relating to higher education that are being tracked.

**MOU with the Community College.** The UMS will be signing a Memorandum of Understanding with the Community College for block transfer of 30 general education credits. Internal support systems will be established to provide assistance for the transfer students. Chancellor Page thanked Rose Redonnett, Chief Student Affairs Officer, for her work on this project.

**Accreditation.** Chancellor Page stated that the UMS has submitted a request to NEASC for an advisory opinion on the possibility for a single accreditation for the UMS. It is anticipated that this will be a lengthy process.

**PRESIDENT EMERITA & ACTING VICE CHANCELLOR'S REPORT.** Chancellor Page stated that the Board of Trustees Strategic Outcomes document references community engagement. Dr. Theo Kalikow agreed to work on this initiative to focus on current community engagement initiatives as well as recommendations for new initiatives. He thanked Dr. Kalikow for her work on this project.

Dr. Theo Kalikow, President Emerita and Acting Vice Chancellor, provided an update on the community engagement initiatives. Two Summit meetings were held, one at UMaine and one at USM which provided an opportunity for collaboration. The faculty are key to the community engagement and adding high impact activities into the curriculum. The final report will be available by the end of June.

### **VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION & TREASURER'S REPORT.**

#### **Financial Update.**

Dr. Rebecca Wyke, Vice Chancellor for Finance and Administration & Treasurer, provided a financial update.

**Managed Investment Pool (including Endowment Fund).** In March the Fund declined by 1.2% and fiscal year-to-date the Fund has declined by 0.8%. The market value on January 31, 2015 of the Managed Investment Pool (MIP) was \$269.9 million. Changes in market value besides market

fluctuation include: contributions and distributions, the UMS contributions to the OPEB Trust, the Maine Maritime Academy's participation in the Fund since January 2009, and the UM School of Law Foundation's participation in the MIP since July 2012.

*Pension Fund.* In March the Fund declined 0.4% and fiscal year-to-date the Fund has returned 0.2%. The market value on January 31, 2015 of the Pension Fund is \$37.3 million.

*Operating Fund.* In March the Operating Fund returned 0% and fiscal year-to-date the Fund has declined by 0.1%.

*FY2015 3<sup>rd</sup> Financial Forecast.* Vice Chancellor Wyke presented the FY2015 3<sup>rd</sup> financial forecast. The FY2015 UMS budgeted operating surplus is \$137 thousand and included budgeted campus operating losses of \$11.459 million offset by the utilization of campus reserves (\$1.599 million) and the Budget Stabilization Fund (\$9.997 million). As of April 30, 2015, the UMS projected an unrestricted operating loss of \$17.7 million before the utilization of any reserves. This projected loss included the current \$1.6 million loss in temporary investment income as compared to budget and \$11 million for the special retirement incentive and other workforce adjustment costs to be funded from the Employee Benefit Reserve.

The major factors impacting the year-end results:

- The temporary investment income budget is \$3.0 million. Current income is \$1.413 for a total budget-to-actual negative variance of \$1.587 million. This forecast reflects only the income realized thus far and does not include any projections for future gains or losses.
- Approximately \$11 million of the Employee Benefit Reserve will be used to fund the Special Retirement Incentive and other workforce adjustments.
- Average UMS FTE enrollments for Spring 2015 were 3.3% (705 FTE) below budget. Enrollments were above budget at UMFK (26% or 19 FTE) and UMM (0.8% or 4 FTE) but below budget at the remaining universities with UMPI experiencing the greatest percent variance (21.6%). The UMS average Fall FTE enrollments were 3.4% (772 FTE) below budget.
- Average UMS residence hall occupancy for Spring 2015 was 6.1% (361 students) below budget. Occupancy at each university was below budget with UMPI experiencing the greatest percent variance (29.5%). Average residence hall occupancy for Fall 2014 was 3.4% (210 students) below budget.

*Approval of the FY2016 Unified Operating Budget, Recommended Student Charges, and Proposed Transfer from the Budget Stabilization Fund and Campus Reserves.* Vice Chancellor Wyke presented the proposed FY2016 Unified Operating Budget for the University of Maine System. This included the student charges and the transfers from the Budget Stabilization Fund to offset net unrestricted operating losses at the University of Maine at Fort Kent, the University of Maine at Machias, and the University of Maine at Presque Isle.

#### Budget Overview

The FY2016 Unified Operating Budget for the University of Maine System is not balanced and requires the use of \$7.1 million from reserves to balance. The Budget includes \$4.2 million in Administrative Savings that are being held for future strategic investments. These funds, however, are not reflected in the total deficit. The budget includes a 1.7% increase (\$3.0 million) in State E&G Appropriation per the Governor's proposed biennial budget. Enrollment is based on campus enrollment plans. Any negative shift in one or both of these factors will result in an increased deficit.

If E&G depreciation were fully funded (100% target for FY2016), the deficit before administrative savings would increase to \$15.9 million. This level of deficit spending is not sustainable and is stark evidence that the current operating model is broken. It is incumbent upon the Board of Trustees and the senior leadership of the seven-university System to address this situation and ensure that Maine's public universities are available for generations to come.

#### Appropriation

The FY2016 budgets are based on a 1.7% (\$3 million) increase in E&G State Appropriation per the Governor's proposed biennial budget. The Governor's proposed budget also includes \$2.5 million in debt service funding to support a 10-year revenue bond that would allow the University to leverage \$21 million for infrastructure improvements. These funds are considered "restricted" and, therefore, not included in the unrestricted operating budget. Campus budgets reflect allocating 15% of the campus "historic" Appropriation and 100% of the Governor's proposed E&G Appropriation increase through the Outcomes Based Funding formula. Campus budgets also include an additional \$6.1 million of former University Services Appropriation that is being redistributed to campuses to offset the allocation of University Services Information Technology services.

#### Maine Economic Improvement Fund (MEIF)

The Governor's proposed biennial budget includes an 18% increase (\$2.65 million) in restricted State Appropriation for the Maine Economic Improvement Fund to advance research and economic development for the benefit of all Maine people. If approved, a total of \$17.35 million will be available. In FY2016, these funds support university-based research in 7 designated areas: biotechnology, aquaculture and marine, composite materials, environmental, forestry and agriculture, information, and precision manufacturing. Three percent of the MEIF supports the Small Campus Initiative (SCI) - a competitive award program for UMA, UMF, UMFK, UMM, UMPI, and the Maine Maritime Academy.

#### Student Charges

The UMS' ability to raise revenue will continue to be restrained by what Maine people can afford. Maine's three-year moving average of median household income for 2011-2013 is \$50,487. Absent the application of financial aid, the weighted average of tuition and fees as a percentage of median household income is 18%. In-state tuition and the mandatory unified fee for both undergraduate and graduate students continue to remain at the FY2012 level. This is the first time in the history of the UMS that tuition has remained flat for 4 years.

#### Enrollment

Maine's 15 to 24 year old population will decline 19.5% between 2010 and 2020. Maintaining current enrollments will be challenging and will require our universities to work differently in order to retain and attract more students, including adults and the nearly 50% of high school graduates who currently do not enroll in college.

#### Residence Hall Occupancy

Capacity had been declining as buildings were taken off-line for renovations or to realize savings from declining demand. Capacity and occupancy are budgeted to increase, however, in FY2016.

#### Compensation and Benefits

Compensation and Benefits continues to be the single largest cost driver representing 73% of the E&G budget or 66% of the overall unrestricted operating budget. The FY2016 internal benefit rate is 52.4% as compared to 51.5% for FY2015. Medical costs are currently exceeding the Employee

Health Plan Task Force goal of 3% for FY2016; therefore, the FY2016 benefit rate is based on a 7% health plan trend rate.

The Employee Benefit Reserve had a balance of \$24.9 million at the end of FY2014. An estimated \$11 million of the reserve will be used in FY2015 to fund the Special Retirement Incentive and other workforce adjustments. It is recommended that reserve levels for self-insured health benefit programs equal 3 to 6 months of benefit costs. For the UMS, this would be between \$17 - \$34 million.

#### Funding Depreciation

Seventy-two percent of the total depreciation expense is funded in the FY2016 budget – 11% less than the FY2015 budget. The E&G funding for depreciation (including support for classrooms and laboratories) is underfunded by 45%, or \$11.8 million. Total depreciation is underfunded by 28% or \$8.8 million.

#### Aging Infrastructure

The UMS owns more than 550 buildings providing more than 9 million square feet of space located across the State with an estimated replacement value of \$2.3 billion. Thirty-eight percent of System space is more than 50 years old in terms of renovation age, which has increased from 27% in 2006. Critical building needs and investments can be expected in facilities with an estimated renovation age of more than 25 years and even more so in the older 50+ category. The age of facilities, limited capital renewal funding, code changes, and functional obsolescence have resulted in a critical deferred maintenance estimate of \$462 million and total asset reinvestment backlog of \$961 million.

#### Budget Stabilization Fund

The Budget Stabilization Fund was created to enable the UMS to smooth the financial impact of adverse markets, economic conditions, and to address other financial challenges. The Budget Stabilization Fund was established in 2010 and has been built from net investment income that exceeded budget pursuant to the Board of Trustees investment policy. FY2015 projected utilization of the Fund equals \$7.3 million or \$2.7 million less than budgeted; USM's projected need is \$2.0 million less than budgeted and UMaine is no longer requesting any Budget Stabilization Funds. UMM's projected need has increased by \$240,000. In FY2016, three campuses may need to utilize Budget Stabilization Funds as their unrestricted net position is depleted. The Treasurer will authorize all or a portion of the transfer needed to offset a net unrestricted operating loss for each institution only at the close of a fiscal year.

#### Primary Reserve Ratio

As of June 30, 2014, the UMS had slightly more than 5 months' worth of operating expense held in reserve. This is also the benchmark for public institutions of higher education indicating resources are sufficient and flexible enough to support the mission. However, this ratio varies by institution leaving some extremely vulnerable when State Appropriation is reduced or enrollment declines occur. Additionally, the FY2016 budgeted deficit will reduce the Budget Stabilization Fund by \$5.0 million and uncommitted campus reserves by \$2.2 million. The payout of the retirement incentives and other workforce adjustments will also reduce the Benefit Pool by about \$11 million. This results in total impact of about \$18 million on unrestricted net position in addition to funding other campus activities such as auxiliary services, capital projects, deferred maintenance, and scholarships, as well as providing reserve balances for the employee self-insured health plan, collateral for internal loans to campuses, and a reserve to cover deductibles for risk management.

### Workforce Management

The FY2016 budget includes the net reduction of 194 positions as compared to a reduction of 157 positions in the development of the FY2015 budget.

### Budget Process

Dr. Wyke stated that the FY2016 budget process was a collaborative effort from the campuses to develop the budget. The revised budget timeline worked well and she thanked everyone who worked on the budgets. Trustee Fournier thanked the campus and System staff for their work on the budget.

On a motion by Trustee Fournier, which was seconded by Trustee Nelson, the Board of Trustees approved the FY2016 Unified Operating Budget, Student Charges, and Transfers from the Budget Stabilization Fund and Campus Reserves.

### **Strategic Integration Targets 2 & 3: Unified Finance and Administration Structure.**

Vice Chancellor Wyke presented her report and recommendations regarding Strategic Integration Targets 2 & 3 consistent with the Board of Trustees resolution of November 16-17, 2014 to develop a comprehensive financial management structure reflecting unified finance and administrative services that are functionally aligned to the degree possible.

In July 2014, the Board of Trustees adopted a set of strategic outcomes to guide the work of the Chancellor and the Presidents Council in pursuing mission excellence. Together, Strategic Integration Targets 1 - 4 define the Chancellor's primary strategies for "One University for all of Maine" - a multi-campus, mission-differentiated model with significantly reduced and reformed administration, as well as educational programs that leverage and integrate academic resources System-wide. This report addresses the high-level recommendations related to:

***Strategic Integration Target 2: Comprehensive Financial Management Structure*** - Develop and implement a comprehensive financial management structure for the entire System that enhances transparency, enables appropriate fiscal control, and advances comprehensive intra-system collaboration.

***Strategic Integration Target 3: Comprehensive Administrative Plan and Reduced Administrative Costs*** - Develop a comprehensive administrative plan that reduces total administrative costs to peer system benchmarks or below.

Since last July, the Board of Trustees has explored the governance of financial affairs as set forth in the Charter for the University of Maine System, Maine law, and the Board's Bylaws and Policies. The Board has also explored the range of options available to achieve the outcomes set forth in *Strategic Integration Target 2: Comprehensive Financial Management Structure* and took public comment on these options through a System-wide survey of campus constituents in the fall of 2014. Additionally, the pilots chartered by the Chancellor and the Board in July 2012 which resulted in the functional alignment of Information Technology, Procurement, and Human Resources, although not yet mature functionally aligned organizations, have achieved proof of concept for matrix reporting and functional alignment of administrative services.

As a result of this work, in November 2014 the Board of Trustees revised its policy governing the development and management of operating and capital budgets to align more closely with existing Maine law and Board Policy. Additionally, the Board instructed the Vice Chancellor for Finance and

Administration and Treasurer to develop a comprehensive financial management structure reflecting unified finance and administrative services that are functionally aligned to the degree possible.

This report, in Section VIII, sets forth the Vice Chancellor's recommendations for an enterprise-level unified operating budget by FY2017 that reflects the priorities established by the Board of Trustees, Chancellor and the Presidents Council. The recommendations also call for a functionally aligned finance and administrative structure with matrix reporting. The recommendations include a reorganization of existing staff (without additional cost) to create an enterprise Chief Financial Officer and an enterprise Chief Facilities and General Services Officer under which financial services and the remaining distributed administrative services can be aligned respectively. The recommendations also call for revisiting the HR Administrative Review plan approved by the Board in November 2014, to ensure consistency with the unified finance and administrative structure.

Upon approval of the high-level recommendations by the Chancellor and the Board of Trustees, the transition to a unified finance and administrative structure will commence (May – July 2015). This will be followed by an implementation period during which the unified budget for FY2017 will be developed, and the enterprise functional leaders will work with their respective teams to: adopt policies and procedures; align operations for optimal delivery of services; and establish baseline operational costs and FTE levels (July 2015 – January 2016). Once a steady state has been achieved, Phase II of this work can begin: utilizing LEAN principles to streamline the work and focus on customer value; identify gross savings, investments and net savings; and practice continuous improvement of services (calendar years 2016 and 2017).

Under the plan for a unified operating budget and a unified finance and administrative structure our campus presidents will continue to provide critical leadership at the executive level by working closely with the Chancellor and the Board of Trustees to identify enterprise funding priorities, while also developing campus requests reflecting local budget needs. Additionally, the presidents will serve as the governance council advising the Vice Chancellor and the functional service leaders on service priorities and establishing service commitments for quality and responsiveness. Presidents will continue to have executive authority to manage campus affairs within their respective budgets as approved by the Board of Trustees. And the presidents, sitting as the Presidents Council with the Chancellor and Vice Chancellor, will work to ensure the goals of the whole enterprise are balanced with the goals of the individual campuses.

Chancellor Page thanked the Vice Chancellor and her team and the Presidents and campus staff for their work on this initiative. He commented that the current status is not acceptable. The UMS must change in order to serve our constituents effectively and move the universities forward. He also noted that he sees the plan as being consistent with de-centralized execution.

Mr. David Stevens, Executive Director of Organizational Effectiveness, summarized the results of the on-line survey for the Unified Finance and Administrative Structure which was posted on the Thinkmissionexcellence website on April 29<sup>th</sup> and the survey concluded on May 15<sup>th</sup>. There were 138 total respondents.

The Board and Presidents discussed the need for change and the implementation of the Strategic Integration Targets 2 & 3, including the impact on the role of presidents, responsiveness of functional leaders to campus needs, the importance of clear roles and responsibilities and the need of clear definition of the end goal.

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Board of Trustees approved the Unified Finance and Administrative Structure as presented.

### **CONSENT AGENDA**

On a motion by Trustee Johnson, which was seconded by Trustee Fournier, the items on the Consent Agenda were unanimously approved by the Board of Trustees as follows:

The Board of Trustees reviewed the following agenda items as forwarded by the Investment Committee to the Consent Agenda from its meeting on May 1, 2015:

**UM Advancement Alignment Task Force Recommendation – Management Fee on Endowments.** The Board of Trustees approved UM’s assessment, as of July 1, 2016 or later, of an annual management fee of up to 1.25% of the market value of UM’s endowments held by the University of Maine System. The fee will be taken from the annually determined endowment payover (as approved annually by the Investment Committee of the Board of Trustees) and will replace the current annual management fee of 0.25%.

The Board of Trustees reviewed the following agenda items as forwarded by the Finance/Facilities/Technology Committee to the Consent Agenda from its meeting on May 4, 2015:

**Establishment of the C. Ann Merrifield Professorship in Science Education, UM.** The Board of Trustees approved the recommendation of the Finance/ Facilities/Technology Committee to establish the C. Ann Merrifield Professorship in Science Education.

**Update to Board Policy 1002 – Environmental and Safety Policy.** The Board of Trustees approved the recommendation of the Finance/Facilities & Technology Committee to amend policy 1002 by the addition of this language:

Allow reasonable preference when feasible for food goods produced sustainably, in a manner that minimizes transportation to the consuming location, or with other such environmental attributes or advantages as may be available in the marketplace, while balancing those benefits against price and other considerations; and

The Board of Trustees reviewed the following agenda items as forwarded by the Finance/Facilities/Technology Committee to the Consent Agenda from its meeting on May 4, 2015:

**Student Conduct Code: Definitional Changes.** The Board of Trustees approved and ratified the revisions to the Student Conduct Code.

**Definitional Changes: Board Policy 402 – Sex Discrimination, Sexual Assault, Relationship Violence, Stalking and Retaliation.** The Board of Trustees approved and ratified the updated “University of Maine System Policy and Procedures: Sex Discrimination, Sexual Harassment, Sexual Assault, Relationship Violence, Stalking and Retaliation.” This policy will update current Board Policy 402.

**New Academic Program: BS in Cybersecurity, UMFK/UMA/USM.** The Board of Trustees approved the recommendation of the Academic and Student Affairs Committee to create a Bachelor of

Science degree in Cybersecurity at the University of Maine at Fort Kent, the University of Maine at Augusta, and the University of Southern Maine.

**New Academic Program: Master of Science in Spatial Informatics, UM.** The Board of Trustees approved the recommendation of the Academic and Student Affairs Committee to create a Master of Science degree in Spatial Informatics at the University of Maine.

**New Academic Program: BS in Conservation Law Enforcement, UMFK.** The Board of Trustees approved the recommendation of the Academic and Student Affairs Committee to create a B.S. in Conservation Law Enforcement at the University of Maine at Fort Kent.

## **ACTION ITEMS**

**Election of Board Officers.** Trustee Collins, Chair of the Board, appointed the following Trustees to the Trustee Nominating Committee: Norman Fournier, Chair; James Erwin and Karl Turner. Trustee Fournier stated the Trustee Nominating Committee met on May 4<sup>th</sup>. The Nominating Committee thanked Trustees Collins and Johnson for their leadership and the Committee recommended the reappointment of Trustee Samuel Collins as Chair and Trustee Gregory Johnson as Vice Chair.

On a motion by Trustee Fournier, which was seconded by Trustee Erwin, the Board of Trustees approved the Board of Trustees slate of officers for 2015-2016, as presented.

**Confirmation of Faculty Representative to the Board of Trustees.** Chancellor Page explained the following nominations are being recommended by the Presidents:

- Raymond Albert, UMFK Faculty Representative – reappointment for 2 year term – June 2015 to June 2017
- Patti Miles, UM – 2 year term – June 2015 to June 2017
- Dominic DeLuca, UMFK Student Representative – 2 year term – May 2015 to May 2017
- Kimberley Miner, UM Graduate Student Representative – 2 year term – May 2015 to May 2017

On a motion by Trustee Medd, which was seconded by Trustee Turner, the Board of Trustees approved the appointment of the following Faculty and Student Representatives to the Board of Trustees:

- Raymond Albert, UMFK Faculty Representative – reappointment for 2 year term – June 2015 – June 2017
- Patti Miles, UM – 2 year term – June 2015 to June 2017
- Dominic DeLuca, UMFK Student Representative – 2 year term – May 2015 to May 2017
- Kimberley Miner, UM Graduate Student Rep – 2 year term – May 2015 to May 2017

**Amendment to Board of Trustee Policy 213 – Honorary Degrees.** Chancellor Page stated that Honorary degrees are awarded to distinguished individuals by universities of the University of Maine System. Board policy 213 describes eligibility for honorary degrees and the process by which they are awarded. The policy is unclear regarding whether all nominees brought forward for Board approval will be offered an honorary degree. The proposed revision to the policy will clarify that presidents may nominate more individuals than the number of honorary degrees to be awarded. Following Board approval of the nominations, presidents will make final selections for awarding honorary degrees.

Board policy 213 also specifies that Board will take action on honorary degrees at the January meeting. The policy will be clarified to indicate that January will be the normal time for action on honorary degrees, but consideration by the Board at other times is not precluded.

On a motion by Trustee Turner, which was seconded by Trustee Fournier, the Board of Trustees approved the addition of the following provisions and minor related drafting changes as follows:

A President may forward more nominations than the number of honorary degrees the campus wishes to award. Following endorsement by the Board of Trustees, the president will make final selections based on factors such as the nominees' availability and acceptance.

Action on honorary degree nominations shall normally be taken at the January Board meeting.

**Amendment to the Presidential Search Committee Charge.** Trustee Collins stated that in accordance with the Board's Presidential Search Committee charge, each Presidential Search committee includes three Trustee members appointed by the Chair, one of whom is designated as chair. The work of a presidential search committee extends over a period of six to nine months. It would disrupt the committee's work should a committee member's term as Trustee end before the search is concluded. As a result, the Board Chair is proposing that in that situation, the chair would have the discretion to designate the committee member to continue in the role of Trustee member of the committee until the search is concluded. This would not affect any other committee assignments or Trustee roles, responsibilities or rights.

On a motion by Trustee Johnson, which was seconded by Trustee Nelson, the Board of Trustees approved the following addition to the Presidential Search Committee Charge, to be inserted in the paragraph describing committee membership:

If the term of any Trustee member of the committee ends before the search is concluded, at the Board chair's sole discretion, the Trustee may be designated to continue on the committee as a Trustee member until the search is concluded.

**Board Charge for Implementation Plan for Transformative Change.** Trustee Collins stated that in July 2014 the Board approved the Strategic Outcomes document, saying that:

*UMS is in a period demanding transformative change. The Board of Trustees and the Presidents Council strongly agree that UMS cannot meet its mission in a financially responsible and sustainable way under its current business and organizational model. The FY2015-2019 structural gap is sufficient evidence of that fact. This financial reality, as well as the changing nature and needs of Maine students and the forces of change affecting higher education throughout the nation, have led to a new vision for the University System – a system that, while smaller, better matches capacity to resources, strategically aligns faculty and staff to the most impactful and relevant academic and research programs, and makes use of innovation and technology to serve a broader and more diverse student base.*

The Board reaffirms that transformational change is imperative and notes progress to date, including the January 2015 announcement of the unifying strategic intent: "One University for Maine."

By definition, transformation from a federation of seven institutions to one university requires comprehensive major change in systems, policies, procedures, incentives, facilities, capabilities, and culture. Change of this magnitude requires a definitive multi-year implementation plan to properly sequence, resource, and enable coordinated changes. It also requires an interactive communication plan both externally and internally. Communications must articulate the why, the what, and the how.

Such plans enable people to see their essential roles in the change process and better understand the direction, rationale, work plan, and timeline.

Therefore, the Board of Trustees charges the chancellor, vice-chancellor, and presidents, with the assistance of their key leaders, to present implementation and communication plans to achieve the One University model to the Board of Trustees for their initial review by the September meeting.

Plans must articulate how each major element of this unified university better serves students and the state (better access, more support, more offerings, better alignment, etc.). Plans should yield the 2014 Strategic Outcomes, updated where appropriate, especially Strategic Integration Targets 1-4 and Financial Sustainability Target 1. Content must also be consonant with the three foundational premises of the “One University” initiative: multiple mission-differentiated campuses; administrative reduction and reform; and academic cooperation and integration.

**Suggested Implementation Plan Outline:**

- I. Review of Purpose and Values
- II. Inclusion of Strategic Intent / Outcomes / Four-year goals and targets
- III. FY2016 goals, with deliverables and milestones
- IV. Major initiatives to achieve the desired outcomes and targets
- V. Pro forma
  - A. Financial modeling demonstrating fiscal necessity and sufficiency of the major initiatives in the plan
  - B. Investment requirements and a four-year capital plan
- VI. Sequencing, timing and scheduling
  - A. Gantt chart outline of a four-year implementation plan and details for the first-year resource loading.
  - B. Initiative mapping
- VII Change management components
  - A. Inventory of systems, policies and procedures that need to be modified for a successful transformation.
  - B. Communication and engagement plan to involve representative students, faculty, staff, and administrators appropriately in creating the changes, capitalizing on existing strengths and successful pilots.
  - C. Assigned responsibility for leadership and decision-making for each major initiative and coordination of the entire transition process.
  - D. Outline of a trustee-level dashboard to track progress toward goals

On a motion by Trustee Nelson, which was seconded by Trustee Turner, the Board of Trustees charged the Chancellor, Vice Chancellor, and Presidents to present an implementation and communication plan for those initiatives required to achieve its strategic outcomes in support of the One University framework at the September meeting.

**INFORMATION ITEMS**

The following items were included in the agenda for information only:

- Student Charges Report
- Workforce Profile Report
- Turnover Analysis
- Capital Projects Status Report
- Dashboard Indicators

## Agenda Calendar

### **EXECUTIVE SESSION**

On a motion by Trustee Fournier, which was seconded by Trustee Donnelly, 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-D to discuss planning for negotiations and communications with AFUM, UMPSA, ACSUM, Police, PATFA, and Service and Maintenance Units.
- 1 MRSA Section 405 6-E to discuss the legal rights and duties pending or contemplated litigation or settlement offers where premature disclosure would place the UMS at a substantial disadvantage.

On a motion by Trustee Donnelly, which was seconded by Trustee Fournier, the Board of Trustees concluded the Executive Session.

**Confirmation of Boards of Visitors Appointments for 2015-2016.** On a motion by Trustee Nelson, which was seconded by Trustee Medd, the Board of Trustees confirmed the Boards of Visitors appointments for 2015-2016, as presented.

**Award of Tenure, UM.** On a motion by Trustee Donnelly, which was seconded by Trustee Fournier, the Board of Trustees approved the recommendation to grant tenure to the candidate submitted by the University of Maine. This appointment will be effective September 1, 2015.

### **DATE OF NEXT MEETING**

The next meeting of the Board of Trustees will be held on July 20, 2015 at the University of Maine System.

Adjournment

Ellen Doughty for  
Tracy B. Bigney, Clerk