

UNIVERSITY OF MAINE SYSTEM

Board of Trustees Meeting

at the University of Maine System

January 11, 2016

**Finance/Facilities/Technology Committee**

**Present: Committee Members:** Norman Fournier, Chair; Sam Collins, James Donnelly, Gregory Johnson, Marge Medd (at USM), and Karl Turner (at USM). **Chancellor:** James Page. **Faculty Representatives:** Ray Albert (at UMFK) and Patti Miles (by phone). **Student Representatives:** Sarah Elizabeth Connelly (at USM). **System Staff:** Tracy Bigney, Chip Gavin (at USM), Ryan Low, Richard Thompson, Vendean Vafiades (at USM), Miriam White and Dan Demeritt. **Presidents:** John Murphy (at UMFK), Stuart Swain (at UMM), Rebecca Wyke (at UMA), Susan Hunter, Glenn Cummings (at USM) and Linda Schott (at UMPI). **Other Participants:** John Rebar, Stewart Harvey, Claire Strickland, Sheri Stevens (at UMA), Micheal Sauda (at UM), Jake Olsen (at UM), Buster Neel (at USM), Mike Swartz (at UM), Carolyn McDonough (at UM), Leslie Ellis (at UMA), Bonnie Sparks (at Ellsworth Center), Laurie Gardner (at UMF), Tim Brokaw (at UMA), Chris Bell (at UMPI), Kristel Mead (at UMA), Ben Shawn (at UMPI), Cindy Mitchell, Fred Brittan, John Forker, John Grover, Tamera Mitchell, Lauren Dubois, and Emily Morris and Jon King from Sightlines

**Committee Members Absent:** Paul Nelson.

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

**Footprint Reduction Request, UM.** Ms. Claire Strickland, Chief Business Officer at UM, explained that the University of Maine is requesting authorization pursuant to Board of Trustee Policy 802 and the associated real property delegation of authority matrix to sell or lease a facility at 101 College Avenue and to enter into additional lease agreements for the site.

The University is in negotiations with previous building owners, Sigma Chi Corporation, for a potential purchase of the facility and lease of the site. The University may also pursue sale or lease arrangements with other potentially interested fraternities or sororities. The building is currently occupied by the University of Maine Development Office. Those employees are transitioning to the University of Maine Foundation and will be relocated to other spaces, yet to be identified, on the UM campus.

The building is approximately 12,370 gross square feet. The appraised value of the building as of December, 2015 is \$510,000. The University at this time does not intend to pursue sale or lease opportunities other than those described here.

On a motion by Trustee Collins, which was seconded by Trustee Medd, the Finance/Facilities /Technology Committee agreed to forward this item to the Consent Agenda at the January 24-25, 2016 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees authorizes the sale, lease or other transfer of the facility located at 101 College Avenue and the necessary associated real estate agreements, including a potential long-term ground lease, subject to review and approval of the final terms and conditions by the University of Maine System Treasurer and General Counsel.

**Cooperative Extension Diagnostic and Research Lab Update and Facility Acquisition Request,**

**UM.** Ms. Strickland along with Mr. Stewart Harvey, Executive Director of Facilities and Capital Management Services; and Mr. John Rebar, Executive Director for Cooperative Extension; explained that the University of Maine is requesting approval pursuant to Board of Trustee policy 701 and 801 to update the previous approval for the development the Cooperative Extension Diagnostic & Research Lab.

The project was approved by Trustees in July of 2015 to expend up to \$9 million for the construction of a new facility. This updated request would authorize: a. the purchase and renovation an existing structure; b. an increase in the size of the project of up to a total of 22,000 square feet; and c. authorization to enter associated leases at the new facility of sufficient duration or value that require Trustee approval.

The \$9 million funding already authorized for the project remains unchanged. The funding sources include: \$8 million from State of Maine General Obligation Bond funding (voter approved in November of 2014) plus \$250,000 each from the University of Maine System and UMaine Cooperative Extension as match, and \$500,000 for laboratory equipment in grant funds from the Maine Technology Institute.

The amended request is based in part on additional design work that has occurred since approval was granted by Trustees in July 2015 which showed the facility needs of the project were greater than the authorized size and potentially greater than the authorized cost. At the end of the schematic design phase, the fully project was approximately 22,000 square feet and the cost was estimated at almost twice the available budget.

The building committee and design and construction team worked diligently to reduce the estimated costs but the outcome was that the building footprint was diminished to the point of hindering the University's ability to deliver the services initially described. Certain important critical features would need to be sacrificed including the location of offices within the building to house the researchers and staff, meeting space, and teaching/observation space for students of animal and biological studies.

During the process of evaluating the reduction in building size and functionality, the University became aware of this commercial laboratory for sale located at 17 Godfrey Drive in Orono. The building is approximately 28,000 square feet, sits on a land parcel of approximately 6 Acres and was built about fifteen years ago. The building contains both laboratory and office spaces and is located in the Maine Tech Industrial Park among similar uses. It is adequate to house the Cooperative Extension Diagnostic and Research Center, as well as other related and unrelated occupants.

The University has taken initial steps to evaluate the facility and the feasibility of locating its project at this site in lieu of constructing a new building. That preliminary evaluation found the structure to be in very good condition, meeting or exceeding the program needs. The project team seeks authorization to purchase the building and renovate the laboratories, which will gain significant program benefits within the existing approved \$9 million budget. Upon completion of the proposed project, while not new, the building renovation age would be effectively reset to zero or close to zero, and the expected Net Asset Value would be at least 80 percent.

Approximately 3,500 square feet of space in the facility currently is leased to another party with a remaining duration of four years and with additional 5-year renewal options. The occupant is an

office of the National Oceanic and Atmospheric Administration which would not be a conflict with the proposed space. The University's intent would be to maintain this lease were it the owner of the facility.

In addition to the plant, animal and insect laboratories of the Center the University potentially would locate the future so-called FISH Lab in this building. The University has identified approximately 3,000 square feet of space available for this purpose. This laboratory requires laboratory space similar to the ones being constructed for the Center and has a good synergy, including staff with shared appointments. The FISH Lab was a project funded by MTI/MTAF grant and approved by the BOT in 2011. The project was removed from the capital project list in 2014 when the University determined that it was unable to build the necessary space with the funding awarded, and at that time the grant award was returned to MTI. This project is currently under consideration once again through the Marine Bond request and will continue to be a campus priority until funding is successful. This current request is identifying this possibility but does not include an actual request to restore the FISH lab project at this time.

The building's location also affords the laboratory improved access for its customers through its adjacency to I-95.

In addition to the various Trustee policies cited above, increases in facility space also now are presented to Trustees for consideration per the Administrative Review in Facilities Management. The final report, approved in concept by the Board of Trustees in March, 2015, asked the University to adopt processes such that any project which would result in any net increase in the University of Maine System's footprint, including new leases or renewals, would be considered by the Finance, Facilities and Technology Committee of the Board of Trustees or the full Board of Trustees before being authorized. The request involves a net increase of approximately 16,000 square feet of building space on this campus in addition to the originally approved 12,000 for the Research Center.

UM reports it has identified off-setting space reductions already accomplished within its facility portfolio to ensure this proposed property acquisition will not result in a net increase in space. Increased Maintenance and Utility costs are expected to be approximately \$126,000 annually and will be covered centrally. Operating costs will be covered by Cooperative Extension operating budget and service revenue. Preliminary consultations with bond counsel have indicated the proposed approach is workable.

The revised schedule anticipated in this agenda sheet would include completing design during the winter and spring of 2016 followed by construction in summer and fall of 2016 with completion by early 2017. This schedule is dependent on the ability to execute the purchase and re-start design in early 2016.

Trustee Turner requested that documentation be forwarded to Mr. Gavin for distribution outlining the reduction in square footage including the space that will be leased in this building proposal.

On a motion by Trustee Johnson, which was seconded by Trustee Turner, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the January 25, 2016 Board of Trustees meeting for approval of the following resolution:

The Board of Trustees approves the University of Maine to purchase a building for the purpose of creating the Cooperative Extension Diagnostic & Research Lab (currently tracked as project #5100387); to renovate that structure for the same purpose at a size up to 22,000

square feet for the project itself; to enter leases of greater than 5 years and of more than \$100,000 in connection with any building purchase for the project; with the final terms and conditions of all such real estate transactions subject to review and approval of the University of Maine System Treasurer and General Counsel. Costs for the purchase and renovation shall not exceed \$9 million.

**Lease Authorization, UMA.** Ms. Sheri Stevens, Executive Director of Administrative Services at UMA; Ms. Bonnie Sparks, Executive Director of University College; and Dr. Rebecca Wyke, Interim President at UMA; explained that the University of Maine at Augusta is requesting authorization to lease space in the River Valley Technical Center on Lowell Street in Rumford to be occupied by the University College at Rumford/Mexico Center.

The proposed lease would result in a reduction of more than 40 percent in the size of the footprint of this center. The proposal calls for a smaller location of improved quality and at preferred location for approximately the same as current costs, exclusive of up to \$220,000 in estimated one-time relocation and renovation costs. The lease would be effective starting approximately August 1, 2016, at an annual rent of \$25,000 for a five-year term, with the option to renew for two subsequent five-year terms. The rent for subsequent renewal terms would be negotiated at the time of the renewal. The cost and duration are sufficient to require Trustee consideration.

University College at Rumford/Mexico currently rents a 7,400-square-foot two-story former convent at 13 Brown Street in Mexico for approximately \$25,200 annually. It recently was sold by the Catholic Church to the local Apostolic Church.

The University has limited use of the second floor and the basement of the current facility due to disability access requirements. The interior of the building is perceived to be unwelcoming and dated for the University's purposes. It does not make the desired first-impression on prospective or current students, the general public and others visiting the site. The building is not in a highly visible location (it is behind the Apostolic Church). Directional signage is poor. The Center is difficult for new students or visitors who are unfamiliar with the region to locate.

The Rumford/Mexico area is an economically challenged region. Access to post-secondary education is an important resource. Last year, 460 students accessed services through the Rumford/Mexico Center. University College intends to continue serving the region.

UMA has been committed to reducing the size and improving the environment of its off-campus centers whenever possible. UMA recently completed the relocation of the Centers in Bath-Brunswick and Saco, reduced the size of the Center in S. Paris, and negotiated a significant reduction in the annual rent for the University College Center in Ellsworth.

The University has been seeking an alternative location for the Rumford/Mexico Center for several years and recently located the currently proposed site which it believes would be advantageous to the mission of the center and those it seeks to serve.

The proposed location is in a former mill building in Rumford that is being revitalized as the River Valley Technical Center. It is located off Lowell Street. The new location will be more convenient for students and is within walking distance to many of the town's services and shops. The building currently houses a public dental clinic and other businesses on the first floor.

The proposed lease would be a form of modified gross lease at a rate of \$6.25 per square foot. Under the terms of the proposed lease the University will additionally be responsible for the cost of electricity and proportionate heating costs. The landlord will be responsible for such things as building maintenance, snow removal, providing adequate parking, water and sewer services, and trash removal services.

The University space would be on the second floor of the location. The facility will be renovated by the building owner to meet the University's academic and administrative needs. When completed the renovated space will meet all access requirements for individuals with disabilities. UMA is prepared to invest up to \$220,000 to relocate, including renovation costs, technology improvements, moving and other one-time costs to be funded from University College reserves. The landlord will pay for other renovations to the common area of the second floor building.

On a motion by Trustee Turner, which was seconded by Trustee Collins, the Finance/Facilities/Technology Committee agreed to forward this item to the Consent Agenda at the January 24-25, 2016 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees authorizes the University of Maine at Augusta to enter a lease for up to 4,000 square feet in the River Valley Technical Center in Rumford, Maine, with a total term of up to 15 years including discretionary extensions and an initial 5-year base rent cost of up to \$125,000 with all final terms and conditions subject to review and approval of the University of Maine System Treasurer and General Counsel.

**Annual Facilities Report by Sightlines, UMS.** Ms. Emily Morris and Mr. Jon King from Sightlines presented its annual Return on Physical Asset (ROPA+) report to the Committee. The Sightlines data show a challenging situation in which the renovation age, density and various other metrics of the University's facility portfolio is lagging its competitors and a worsened situation year-over-year. Last year's hints of a slowing of those trends have not been borne out at this time and the longer-term trends are continuing.

The amount of University space that has reached the 50+ renovation age category reached 40 percent in FY15, and is forecast to reach 53 percent of all University space by 2020. The net asset value of the overall portfolio has fallen to approximately 56 percent. Density stands at approximately 300 users per 100,000 gross square feet of space, compared with Sightlines' public higher education average density of more than 450 users per 100,000 gross square feet. UMS density has been as high as 350 users as recently as 2007, but has fallen since that time. The Sightlines total asset reinvestment need for the University of Maine System now exceeds an estimated \$1 billion for the first time.

In the medium and longer term, implementing the 3-tiered planning process approved by Trustees as called for in the Facilities Management Administrative Review and identifying substantial multi-year resources will likely be crucial to arresting and reversing these trends. Sightlines also will be presenting an updated forecast about the level of needed investment.

Also included in the report this year is a section dedicated to the key performance indicators (KPIs) adopted in 2015 by Trustees. This is part of the implementation of the Administrative Review recommendations. A majority of the indicators are included in this report. The other indicators are in progress with Sightlines or other data sources.

Chancellor Page commented that the first important step is to right size the UMS. The UMS also needs to look to other areas for stronger partnerships and capital investments i.e., the State and other areas.

Trustee Fournier suggested that in order to keep the Committee up-to-date on this topic, the KPIs should be a standard agenda item for each meeting of the Finance/Facilities/Technology Committee.

**Advanced Structures and Composites Center Project, Including Harold Alfond Foundation Gift and Laboratory Naming, UM.**

UM President Susan Hunter explained that the University of Maine has received a generous award of \$3.9 million from the Harold Alfond Foundation in connection with the Advanced Structures and Composites Center (ASCC) expansion project. The ASCC project was approved by Trustees in November 2012 and updated in 2014 and then again in 2015. It remains as most recently approved by Trustees at \$8.9 million. The Alfond donation has not yet altered the ASCC project itself. That amount will not be exceeded unless increased in accordance with Board policy.

The Alfond award, although given in connection with ASCC project, is expected to be used primarily for non-capital items that would not require a new capital project or the alteration of an existing capital project.

The following equipment and operational items are anticipated:

Lab equipment:	\$1,500,000
Hiring of three senior scientists:	\$1,650,000
Funding 45 student scholarships:	<u>\$750,000</u>
Total	\$3,900,000

The lab equipment portion of the project does have capital implications and will be brought before Trustees in the future, likely as a request to update the ASCC project. Again, the other anticipated uses of the award would not alter the capital facility project.

As a result of this generous donation, the University acting through President Susan Hunter and pursuant to Board Policy 803 has established the Harold Alfond W2 Ocean Engineering Laboratory and Advanced Manufacturing Laboratory at the Advanced Structures and Composites Center. Board Policy 803 reserves to Trustees the naming of overall physical facilities, including major additions and renovated structures, but defers to Presidents regarding other areas and objects such as individual rooms within buildings; outside areas such as gardens or athletic fields; or physical objects such as fixtures and equipment. The University's intention is to act within the President's discretion in accordance with that policy. The laboratory is located within the latest addition to the building.

**Capital Project Status Report.** Mr. Chip Gavin presented the Capital Project Status Report as of November 30, 2015 which reflects a total of 23 projects. Four projects have been removed since the last report due to completion. They are: Aubert STEM Classroom Renovation at UM, Wells Commons Dish Room Renovation at UM, Estabrooke 3<sup>rd</sup> & 4<sup>th</sup> Floor Renovation at UM and Merrill Hall Heating Boiler Replacement at UMF. One project has been added since the last report: Demolition of Kimball Hall at UMM. Three projects are complete and will be removed from the next report. They are: Boardman Hall STEM Laboratory Renovation and Little Hall STEM Classroom Renovation both of UMaine; and Renewable District Biomass Heating Plant at UMFK.

**FY2015 Annual Report on Real Estate & Lease Activity.** Mr. Gavin provided an overview of the FY2015 Annual Report on Real Estate and Lease Activity.

**Real Estate Transactions:**

No real property was acquired during FY2015 for any of the seven University of Maine campuses or the University of Maine System overall. No real property sales were concluded during the period, although a variety of such transactions are in progress or were authorized to commence.

**Lease Transactions:**

As a Lessor (i.e. the University is the landlord) the University is engaged in agreements covering uses such as research, early education and childcare centers, banking services, and cell tower locations.

Compared with the prior year, the University's total revenue increased by approximately 3 percent for the period to an updated new total of approximately \$380,000. The increase is largely attributable to leases for space for TIAA-CREF in Orono and for the University of Maine Foundation in Falmouth. Both of those leases are associated with the University of Maine.

As a Lessee (i.e. the University is the tenant) the University is engaged in agreements that include uses such as office space, academic and research locations, University College centers, athletic fields, radio tower space, parking facilities, and utility purposes.

Compared with the prior year, the University's costs were reduced by approximately 14 percent to a new total of approximately \$1.37 million. In addition to the normal ebb and flow of lease costs, this year's decline in annualized costs is explained largely by significant decreases for leases associated with UMA and USM.

UMA lease costs are down by approximately \$100,000 largely due to cost reduction efforts associated with University College locations. For example, relocations with new leases for the centers in Saco and Bath/Brunswick reduced costs by approximately \$38,000 and \$61,000 respectively. USM experienced a reduction for the period of nearly \$150,000 driven largely by a relocation with a new lease for space in Augusta related to the Muskie School.

**Energy Solution Solicitation and Potential Power Purchase Agreement, UM, UMPI and UMS.**

Mr. Gavin explained that the Office of Strategic Procurement, the University of Maine, and the University of Maine at Presque Isle are collaborating on a public solicitation for competitive energy supply proposals. A power purchase agreement or other alternative contracting arrangements, rather than typical capital construction solicitations or contracts, are possible as part of this initiative.

This initiative is similar to a previous public, competitive solicitation first presented to Trustees in October 2012 and which has since resulted in significant energy projects being implemented at UMM, UMF and UMA. One of those projects is completed and two are in construction. All are expected to save costs and reduce emissions over the life of the projects. Like the prior effort, this current effort looks to the marketplace to propose solutions to the University's energy needs. Rather than specifying a solution itself, the University is defining the issue or the goal and asking the marketplace to respond with potential solutions.

In this case, the goals include increasing the efficiency of energy consumption and meeting the University's energy consumption needs with power that is reliable, lower-cost and lower-emission than the sources currently being used by the University. Another possible outcome is the avoidance

of upfront investment by the University. The solicitation seeks to include thermal and electrical energy.

Should this initiative result in capital improvements, leases or other matters requiring Trustee consideration – under Polices 701, 801 or 802, for example - those matters would return to the Trustees in the future and prior to the execution of any binding agreements.

Typically, such matters would come before Trustees for approval before a solicitation occurs rather than afterward. That is true when the University has determined the intended solution and seeks approval to carry it out. In this case, the solution or solutions will emerge from the competitive process rather than be determined by the University ahead of time, so the University cannot seek authorization in the typical manner. To ensure transparency and notice, the University is alerting trustees now of this plan and approach.

The marketplace for solar energy, biomass, heat pumps, and other potential energy sources remains robust and the University can represent a sufficiently large consumer to attract the interest of the marketplace even with solutions unique to the University.

The current initiative will particularly explore opportunities associated with UMPI and UM, and potentially benefiting all campuses. The core emphasis is on supply to UM in order to leverage the Orono campus energy spend (in excess of \$9 million per year) to identify viable supply solutions and prospective vendors that may provide multi-institutional benefit, including but not limited to UMPI.

**Information Technology Work Plan.** Ms. Vendean Vafiades, Chief Administrative Officer introduced the Information Technology work plan. The Board authorized the Chief Financial Officer, CIO and Chief Administrative Officer to develop a work plan and funding strategies to prioritize and implement the recommendations in the State of Information Technology Report 2015. Mr. Richard Thompson, Chief Information Officer, presented the proposed work plan to fund, develop and implement priority recommendations from that report.

The proposed Work Plan includes four initiatives which include: information technology labor market study and technology support, wireless technology connectivity initiative, classrooms for the future, and MaineStreet modifications. This Work Plan outlines a timeline and prioritization to fund the recommendations and complete work in FY2019. The plan also provides an alternative to phase the projects in a manner that limits the fiscal impact on campuses in FY2017 and FY2018.

**Establishment of the Russell S. Bodwell University Distinguished Professorship, UM.** UM President Hunter presented the Russell S. Bodwell University Distinguished Professorship at UMaine for approval. This professorship is supported by a University of Maine Foundation endowment of \$73,764 and an anticipated gift of property which would be sold and the proceeds added to the endowment at a later date. The total of the current endowment and the anticipated proceeds from the sale of property are expected to exceed the minimum level of \$250,000 required by Board of Trustees policy for a named professorship.

Recognizing that, as the gift currently stands, the Russell S. Bodwell Professorship is an exception to Board of Trustees Policy Section 711 on Named Chairs and Professorships, this exception requires Board of Trustees approval for the named professorship as it is not currently endowed at the minimum level of \$250,000.

This gift enables the College of Engineering to recruit and retain outstanding teachers and scholars in civil and environmental engineering. The income from the endowment shall be used to supplement the base salary of the person holding the professorship. A portion of the income may be allocated to provide equipment, technical and clerical assistance, travel and other auxiliary support. The holder of the Bodwell Professorship shall have an outstanding teaching and scholarly record in the area of civil and environmental engineering.

An ad hoc committee shall be appointed by the Dean to advise him/her in the selection of the holder of the Bodwell Professorship. Nominations for the Professorship shall be recommended to the President of the University for final approval. The appointment shall be for a term of five years. The fund shall be administered by the Dean of the College of Engineering in consultation with the Chair of the Department.

On a motion by Trustee Johnson, which was seconded by Trustee Donnelly, the Finance/Facilities/Technology Committee agreed to forward this recommendation to the Consent Agenda at the January 24-25, 2016 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees approves the recommendation of the Finance/Facilities/Technology Committee for the establishment of the Russell S. Bodwell University Distinguished Professorship, UM.

**Creation of New Major Unit at USM: International Early College High School.** USM President Glenn Cummings explained that in accordance with the Board of Trustees Policy 309, the University of Southern Maine seeks approval for a new major unit that would function as a two-year high school. The new major unit would grant a high school diploma to international high school students who are recruited to attend the program and successfully complete the requisite course of study. The proposal went before the Academic and Student Affairs Committee in November. It is presented as an information item to the Finance/Facilities/Technology Committee as this time.

The Board Resolution regarding the proposal for the new major unit, passed on November 17, 2015, listed four contingent factors:

- Approval from NEASC-Commission on Independent Schools,
- Consultation with the Maine Department of Education,
- Approval from Immigration and Customs Enforcement allowing USM to issue visas for International Early College students, and
- The development of an integrated risk management plan specific to this new major unit and the population it serves, to include insurance coverages and other items identified within the proposal.

The University of Southern Maine received approval from NEASC-Commission on Independent Schools for the International Early College at USM initiatives on November 17, 2015.

Additionally, the institution has consulted with the Maine Department of Education on a number of issues ranging from fingerprinting to curriculum design and have used the consultation to inform decision making regarding the operation of the International Early College program. The University of Southern Maine cannot apply for the Immigration and

Customs Enforcement (ICE) approval until it receives approval from the Board of Trustees for the new major unit and approval to grant the high school diploma. Once approved by the Board, the institution will immediately submit for ICE approval as all other necessary materials for the applications are already on file.

The institution has worked with System Risk Management, Labor Relations, and University Counsel to identify and develop the working plan to mitigate risk associated with this new major unit and the population it serves. Specifics of this can be found within the proposal.

**Naming of Facility at UMA**

UMA Interim President Rebecca Wyke explained that on September 21, 2015 the Board authorized the naming of the Alumni Center at UMA. However, UMA will not be proceeding with the naming opportunity.

Adjournment.

Tracy B. Bigney  
Clerk of the Board