

UNIVERSITY OF MAINE SYSTEM
Board of Trustees Meeting

at the University of Maine System

May 3, 2016

Finance/Facilities/Technology Committee

Present: Committee Members: Norman Fournier, Chair; Sam Collins (at UMPI), Marge Medd (at USM), and Karl Turner (at USM). **Faculty Representatives:** Ray Albert (at UMFK) and Patti Miles. **System Staff:** Tracy Bigney, Chip Gavin (at USM), Ryan Low, Richard Thompson (at UMA), Dan Demeritt (at UMA), John Forker and Rebecca Wyke. **Presidents:** James Connelly (at UMA), Glenn Cummings (at USM), Linda Schott (at UMPI), John Short (at UMFK), Stuart Swain (at UMM), Kate Foster (at UMF) and Susan Hunter (UM). **Other Participants:** Claire Strickland (at UM), Buster Neel (at USM) Tim Brokaw (at UMA), Ben Shaw (at UMPI), John Murphy (at UMFK) and Laurie Gardner (at UMF).

Committee Members Absent: James Donnelly, Gregory Johnson and Paul Nelson.

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

FY2017 Proposed Unified Operating Budget, Recommended Student Charges, and Proposed Transfers from the Budget Stabilization Fund and Campus Reserves – Second Reading.

Mr. Ryan Low, Chief Financial Officer, presented the FY2017 Proposed Operating Budget for the University of Maine System. This is the second reading of the budget and a vote of the committee will be taken and forwarded to the Board of Trustees at the May 23 meeting.

The initial budget deficit for the FY2017 Operating Budget was estimated at approximately \$20 million. The budget gap was closed through a combination of:

- Spending reductions – Total spending in FY2017 is \$515 million, a 1.83% reduction over FY2012 levels.
- New credit hour generation – Out-of-state credit hours are projected to increase by 6,000 credit hours in FY2017 and are up more than 30,000 since 2013.
- FY2016 Budget Stabilization Funds carry-forward - \$1.3 million in unspent Budget Stabilization Funds was carried over at UMPI and USM.
- \$3 million in administrative savings - \$1 million in savings allocated on a one-time basis to UMM, UMPI and UMFK.
- Campus reserve funds – Three campuses are using campus reserved to balance in FY2017.
- \$4.65 million appropriation commitment from Governor LePage.

Budget Stabilization Fund

The Budget Stabilization Fund was created to enable the UMS to smooth the financial impact of adverse markets, economic conditions, and address other financial challenges. The Fund was established in 2010 and has been built from net investment income that exceeded budget pursuant to the Board of Trustees investment policy. UMS anticipates that the Fund will be negatively impacted again in FY2016 by temporary investment income loss. The budget for FY2016 is \$3 million; realized loss through March 2016 of \$1.1 million; total loss on a budget basis is \$4.1 million. The Treasurer will only authorize all or a portion of the transfer needed to offset a net unrestricted operating loss for each institution at the close of FY2016 and FY2017.

Appropriation

The FY2017 budgets are based on a 1.9% (\$3.4 million) increase in E&G state appropriation per the State of Maine's 2016-2017 biennial budget plus a \$4.65 million FY2017 supplemental budget request by the Governor in lieu of an in-state, undergraduate tuition and unified fee increase. The State of Maine 2016-2017 biennial budget also includes the second year of \$2.5 million in debt service funding to support a 10-year revenue bond that would allow the University to leverage \$22 million for infrastructure improvements. This appropriation is considered "restricted" and, therefore, not included in the unrestricted operating budget. Campus budgets reflect allocating 20% of the campus appropriation through the Outcomes Based Funding formula. Campus budgets also include an additional \$5.2 million of former University Services appropriation that is being redistributed to campuses to offset the allocation of University Services.

Maine Economic Improvement Fund (MEIF)

The MEIF totaled \$17.35 million for FY2017. Of the total fund, the University of Southern Maine was awarded 19% or \$3.32 million, the University of Maine at Machias was awarded 2% or \$250,000 and the Small Campus initiative was awarded 3% or \$520,500.

Enrollment

The UMS FY2017 enrollment budget 1.1% below the FY2016 budget and 0.3% above FY2016 actual. The major factors impacting enrollment include:

- FY2017 credit hours are up 0.3% over FY2016 actual credit hours
- FY2017 out-of-state credit hours are up nearly 5% over FY2016 actuals – and up 30% since FY2013.
- Maine public high school graduates will decline to approximately 12,000 through 2030
- Approximately 54% of Maine high school students enroll in college; UMS share historically is 30-33% (or 18% of an entire graduating class).

Residence Hall Occupancy

UMS FY2017 occupancy rate is 92% and ranges from 96% at UM to 76% at UMM. The residence hall occupancy is flat or slightly up at 4 of the 6 campuses with residential operations. Excluding UM, excess capacity at the remaining 5 campuses with residential operations has been reduced by 382 beds since FY2013.

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 FY2017 internal benefit rate remains at FY2016 levels at 52.4%.

Funding Depreciation

Seventy-four percent of the total depreciation expense is funded in the FY2017 budget – up from 72% in the FY2016 budget. E&G budgeted funding for depreciation has increased from 55% in FY2016 to 57% in FY2017. Budgeted funding for auxiliary depreciation continues to exceed the target. FY2017 budgeted capital investments are \$14.9 million or 60% of the total funding.

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 million. The density of the UMS is

decreasing. In FY2015, density reached 301 users per 100 thousand gross square feet and is below the Sightlines public average of 466 users per 100 thousand gross square feet. Campus space is aging over time with 40% of space over 50 years old. This trend is expected to continue in the next 5 years. Minimum capital investment has decreased the net asset value of UMS buildings. The current net asset value of the UMS is 57%.

FTE Employee Reduction

From 2007 to 2015 the UMS had a total full time equivalent employee reduction of 902 or 17%.

On a motion by Trustee Collins, which was seconded by Trustee Turner, the Finance/Facilities/Technology Committee agreed to forward this item to the May 23, 2016 Board of Trustees meeting for approval of the following resolution:

That the Board of Trustees accepts the recommendation of the Finance/Facilities/Technology Committee and approves the FY2017 Proposed Unified Operating Budget, Recommended Student Charges, and Proposed Transfers from the Budget Stabilization Fund and Campus Reserves.

State of IT Plan Update. Mr. Richard Thompson, Chief Information Officer, reported on project activity since Board approval of the State of IT investments, including campus engagement, activities within each of the major sub-projects and progress on staffing to improve support capability and capacity. Below outlines the State of IT Project Strategy, Budgeting and Implementation Planning as of May 2016.

Campus Engagement

- CIO meeting with campus leadership in April. Six of seven Universities completed (UMaine is scheduled for early May). The discussion points and commitments were:
 - State of IT and Investments
 - MaineStreet
 - Remove barriers
 - Streamline and agree upon common processes/data
 - Mobile layer for ease of use, focus on key transactions
 - Wireless
 - Short and long term plans
 - Focus on student, faculty, collaborative and classroom spaces
 - Long term to complete the campus wifi infrastructure
 - Prioritization on campus
 - Campus master plan integration
 - Classrooms for Tomorrow
 - Structure of funding
 - Engagement of faculty, students and instructional designers
 - Governance
 - Proposed USAC at a high level
 - Project Steering Committee
 - Regular engagement/reporting to campus

Project Activity To-Date (since Board approval)

- The overall project is being managed as three subprojects with a lead and project manager for each. In addition, increased staff allocation has led to activity to develop and post positions, leading to hiring late in the fiscal year.
 - Project Activity MaineStreet – OE working with project leads. Consulting services being planned. Actions since approval:
 - The JD/PDQ for the sys admin lead into HR
 - Scheduling a time with UMass to see what they've done to mobilize PeopleSoft
 - Met with Project Management Office (PMO) director briefly about forming a project team (we need a Business Analyst involved)
 - Met with OE to plan their support through the planning stages and business process analysis
 - Project Activity Wireless – Summer activity planning underway. Four residence halls at USM on schedule. Actions since approval:
 - Engaged with HR to fill the two new positions
 - Met with various vendors/contractors to explore options
 - Engaged PMO to discuss complementary roles of Owner's Rep and Project Manager
 - Started to identify buildings that could possibly be addressed before fall semester
 - Started to look at our wireless roadmap to see what we will and will not be able to accomplish given we are going to have to maintain two wireless networks for a number of years (new network = student focused building; old network = administrative buildings)
 - Project Activity Classrooms – Planning process continues, next step campus direct engagement. Actions since approval:
 - Two positions rated and approved by HR and ready to advertise
 - Developed Core Design Principles, developed Installation Best Practices - technical doc for the Media Services techs to follow
 - Revised the assessment rubric to score more uniformly when reassessing newly upgraded rooms
 - Outlining talking points for meeting with campus stakeholders, developing graphics and pictures of potential room design to share with stakeholders and a presentation for UC Faculty Institute to get faculty thinking about new rooms
 - Visited UNH, Bowdoin and scheduled for Saco school district to tour local upgraded rooms
 - Designing process in Project Management software for stakeholders to view status of room upgrades
 - Developed Project Workflow
 - Designing an internal process in AIM (Facilities system) for room data and inventory management.
 - Staffing to support direct service
 - Seven of nine approved positions are in HR at various stages of recruitment
 - HR and Budget support is excellent on these

Information Security Update. Mr. John Forker, Chief Information Security Officer, presented an information security overview that focuses on Phishing and related strategies used to attempt to compromise information or fraudulently obtain cash. The presentation provided real examples of failed attempts at UMS and a discussion of our continuing efforts to inform and train those who may receive these attempts.

Capital Project Status Report. Mr. Chip Gavin presented the Capital Project Status Report as of March 31, 2016 which reflects a total of 22 projects. The University of Southern Maine has added a project for Brooks Kitchen Exhaust Upgrades (6100245), as approved by the Board in March, 2016. One project is marked for removal from this report at the next meeting due to completion. That project is USM's Central Heat Plant Replacement (6100195).

Two projects are reporting expenses greater than 100 percent of the Board authorized maximum. The Powers Hall Exterior and Masonry project at UMM (4100026) stands at 101 percent. The expenses for that project are in the process of being resolved in accordance with Board Policy 701. The update will be reflected in future reports. Also, the Improvements to Existing Space for the Relocation of Personnel from Perimeter & Lower Density Facilities at USM (6100246, 6100253) currently stand at 102 percent. In that case, the excess cost has been traced to certain expenses assigned to the project in error. Those errors are being corrected and the change will be reflected in future reports.

The 16 Central Street relocation project continues to advance. Approximately 80 percent of personnel previously located at 16 Central Street are now working from new locations. The final major construction contract, which is for the Lewiston Hall renovation project at the University of Maine at Augusta in Bangor, was awarded in April.

Alfond Gift and ASCC Update, UM. Ms. Claire Strickland, Chief Business Officer at UM, explained the request to expend up to \$1.5 million to complete equipping the W2 Thermoplastics Facility at the Advanced Structures and Composites Center at the University of Maine.

The funding will be from a portion of a recent gift from the Harold Alfond Foundation. The gift also is establishing the Harold Alfond W2 Ocean Engineering Laboratory and Advanced Manufacturing Laboratory at the Advanced Structures and Composites Center.

This request is pursuant to Board policy 701, which requires equipment purchases with a total cost of more than \$500,000 to be considered by the Board of Trustees or its Finance/Facilities/Technology Committee. (The policy provides an exception for equipment purchases specified in grants. In this case, the funding is from a gift.) This request is to approve and to forward this matter to the consent agenda of the Board of Trustees.

The project includes but is not limited to the purchase and installation of a rotating wind tunnel, control station and instrumentation; thermoplastics composites robotics manufacturing accessories; thermoplastic composites substructure assembly and welding; and digital manufacturing software and hardware.

The University discussed this equipment and naming matter with the Committee in January 2015. The current request is consistent with that prior agenda sheet and discussion. The prior agenda sheet is attached for reference.

This project, while it will have a distinct project identification number, will be tracked and reported upon to the Board of Trustees in the same line of the routine capital project report as the current overall Advanced Structures and Composites Center project.

On a motion by Trustee Collins, which was seconded by Trustee Medd, the Finance/Facilities/Technology Committee forwards this item to the Consent Agenda for approval at the May 23, 2016, Board of Trustees meeting for the following resolution:

That the Board of Trustees approves the expenditure of up to \$1,500,000 from gift funds to complete equipping of the Alford W2 Ocean Engineering Lab and the Alford Thermoplastics Facility at the Advanced Structures and Composites Center at the University of Maine.

Science Building Lab Upgrade Update, USM. Mr. Buster Neel, Chief Business Officer at USM, explained the request to increase the maximum authorized budget for project (6100240) at USM by \$70,000 or 10 percent to a new total of \$770,000. The change will be funded by moving savings to this project from other already-approved bond projects which have been or will be completed below budget. The final of four labs being renovated as part of this project, and which is the basis for this requested update, is located in the A wing of the Science Building. That facility is approximately 47,000 gross square feet. It has an estimated renovation age of 47 years old and a net asset value of 49 percent.

The Science Building labs are used for biology, chemistry and physics. The renovations have and will include paint, flooring, ceilings, lighting, equipment and furnishings. This project does not increase facility space or alter the purpose of the space. Any change in operating costs is expected to be nominal. The project construction is expected to be completed in 2016.

On a motion by Trustee Turner, which was seconded by Trustee Medd, the Board of Trustees acting through the Finance/Facilities/Technology Committee authorizes the expenditure of up to \$770,000 from general obligation bond funding for improvements in the Science Building (project 6100240) at USM.

Unified Budget Update. Mr. Low provided a brief update on the Unified Budget. The final report of recommendations is being compiled. The feedback period for the recommendation will be through June 30th and final approval by the Board at the September Board meeting.

Five-Year Capital Plan for IT and Five-Year Plan for Facilities. Dr. Rebecca Wyke, Vice Chancellor for Finance and Administration provided an update on the five-year Capital Plan for IT and the five-year Plan for Facilities. The Finance/Facilities/Technology Committee will review these five-year plans at the June Committee meeting. The Board has requested these Plans by July in preparation for development of the bond proposal.

Adjournment.

Ellen Doughty for
Tracy B. Bigney, Clerk of the Board