Finance/Facilities Committee

Present: Committee Members: Norman Fournier, Chair; Barry McCrum, Paul Mitchell, Victoria Murphy, Charles O’Leary and Lyndel Wishcamper. Faculty Representatives: Raymond Albert, Bertram Jacobs and Dianne Hoff (for Robert Rice). Student Representatives: Kenneth Hoyt, and Marie Follayttar. Chancellor: Richard Pattenaude. System Staff: Eduard Dailide, Tracy Elliott, Kelley Wiltbank, and Rebecca Wyke. Other Guests: Theodora Kalikow (by Polycom), Bill Geller, Allyson Handley (by Polycom), Laurie Pruett (by phone), Sheri Stevens (by Polycom), Selma Botman (by Polycom), Dick Campbell (by Polycom), Robert Kennedy (by phone), Janet Waldron, Susan Hunter, Claire Strickland, Richard Cost (by Polycom), John Murphy (by Polycom) Tamera Mitchell (by Polycom), Cynthia Huggins (by Polycom), Tom Potter (by Polycom), Donald Zillman (by Polycom), and Charles Bonin (by Polycom).

Absent: Susan Gendron and Marjorie Medd.

Trustee Fournier, Chair, called the meeting to order and welcomed everyone. Trustee Fournier, on behalf of the Board, thanked the Vice Chancellor and her staff and the campus staffs for getting the budget ready for the Board to review.

Financial Update. Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, reviewed the requirements of funds received under the American Recovery and Reinvestment Act (ARRA) funds. The ARRA funds provided to the System total $8.4 million in FY09 and $5.9 million in FY10 and $5.9 million in FY11. The Governor’s May 1, 2009 change package resulted in a reduction in State Appropriations of $2,070,118 for FY10 and FY11. The Governor’s May 1, 2009 change package resulted in a reduction in State Appropriations of $2,070,118 for FY10 and FY11.

Ms. Wyke reported the Operating Funds for the month of March increased by .7%; however, for the fiscal year to date the Funds have had a 5.62% decline and the current loss as of March 31, 2009 is $14.4 million. The preliminary results for April look positive. The market value of the Endowment Fund as of June 30, 2008 was $155 million and as of March 31, 2009 the market value of the Fund is $103.3 million. The Endowment Fund increased in March by 4.6% and as of the fiscal year to date the Fund has declined 25.3%. As of June 20, 2008 the Pension Fund market value was $59 million and as of March 31, 2009 the market value was $40 million. The Pension Fund increase in March by 3.2% but as of the fiscal year to date the Fund has declined by 25.4%. An actuarial analysis will be performed on the Pension Fund this summer.

Proposed FY10 Budget and Recommended Student Charges. Ms. Wyke reviewed the proposed FY10 Budget and recommended Student Charges. At the Board of Trustees’ Retreat on August 27, 2008, the Board requested in-state, undergraduate tuition to increase no more than 6%. The campuses have based their budgets on that assumption and they need to be commended for keeping to that guideline in light of declining State Appropriations, declining enrollments, and investment losses. The FY10 weighted average increase for in-state, undergraduate annual tuition is 5.8% and the weighted average increase for out-of-state, undergraduate annual tuition is 6.7%. The FY10 weighted average increase for in-state, undergraduate mandatory fees increase is 6.9%. The in-state, undergraduate weighted average increase of tuition and
mandatory fees is 6.0%. The weighted average increase for FY10 for room and board is 4.7% and the weighted average increase in the annual comprehensive student cost is 5.3%.

Trustee Murphy asked if the UMS should hold increases at 6% for the next two fiscal years. Ms. Wyke responded by stating the multi-year planning will be reviewed this summer with campus Chief Financial Officers. However, there is a concern that a 6% increase for FY11 may affect the affordability of Maine students to attend the UMS. Trustee Wishcamper commented that he feels the decision to hold the tuition increase to no more than 6% has been the most significant and positive decision for the UMS because when tuition increases continue at the previous rates the System loses an incredible amount of credibility with the public and the Legislature. Trustee O’Leary inquired about the percentage of UMS students who receive financial aid. Chancellor Pattenaude responded by stating approximately 85% of the UMS students receive financial aid but the UMS increases financial aid funding at a rate greater than the tuition increases. Financial aid for FY10 was increased by 8%. Professor Bert Jacobs, faculty representative from UMF, commented that he has heard concerns about the debt load for Maine students and families following graduation and the ability to pay the loans based on Maine salaries.

Ms. Wyke reviewed the budget drivers which include declining appropriations, a projected 1.8% enrollment decrease System-wide, minimal increase in tuition and fees, an increase of 8% for financial aid to mitigate endowment and gift income losses, and increases in compensation and benefit costs. Reductions in both the workforce and other operating costs are necessary to balance the budget. In addition, every attempt has been made to minimize the impact on quality and program offerings.

The FY10 proposed budget originally had a surplus of $371 thousand. However, with the additional State Appropriations reduction of $2,070 million, the adjusted net change results in a loss of $1,699 million. The campuses are working on balancing their FY10 budgets with the additional Appropriation reduction. Available in FY10 is $5,957 million in stimulus funding but it has not been identified how those funds will be used. Some campuses may need to use these funds to bring their budgets into balance.

Ms. Wyke reviewed campus enrollment projections for FY10 as follows. UM is down by 2.6%, UMA is down by .7%, UMF is down by 6%, UMFK is up by 5%, UMM is down by 6.2%, UMPI is down by 4%, USM is flat, and the System total is down by 1.8%.

Trustee Wishcamper suggested at a future meeting that the Board discuss the true drivers of enrollment and student costs and Dr. Breece was asked to look into market penetration, competitiveness, and price saturation data.

The Temporary Investment Income Budget was reduced by $2.5 million and many of the FY09 mid-year budget reductions will continue into FY10. The Regional Optical Network is included in the base budget for FY10. In order to meet increased demand for information technology services and improve functionality the ERP Competency Center, as recommended by the Oracle Insight, will be phased in and the Legacy System will be terminated by mid-year. Funding compensation and benefits increases will continue to be a challenge given reduction in revenues and depending on the FY09 Temporary Investment Income losses the System-wide Services unrestricted operating reserves may be fully depleted. The outlook is uncertain for FY10 investment results.
FY2010 Campus Budget Presentations. The Presidents and Chief Financial Officers at all seven Universities briefly presented highlights of their FY2010 budgets including how their budgets support strategic directions, address financial risks, include contingency plans, how they move their institution forward and possible uses of stimulus funds.

Adjournment

Ellen Doughty for
J. Kelley Wiltbank, Clerk