Finance/Facilities Committee


Absent: Raymond Albert, Bertram Jacobs, Kevin McCarthy, Cynthia Nesbit, and Lyndel Wishcamper.

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 staff for getting the budget ready for the Board to review.

Financial Update.
FY2010 Forecast vs Budget
Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, reviewed the FY2010 Forecast vs Budget as of April 30, 2010. The UMS has a forecasted operating surplus of $18.9 million for FY2010, which is the equivalent of 3.7% of the unrestricted annual operating budget. The major components of the forecast include:

- The implementation of a $5.9 million curtailment in November 2009.
- State Fiscal Stabilization funds of $7.3 million and the forecast reflects $4.4 million of these funds having been expended and reimbursement received.
- Temporary investment income currently exceeds the annual budget by $9.6 million. On a budgetary basis the UMS is still $1.3 million short of recovering the net investment loss from 2008 and 2009.
- An increase in post-employment retiree health care costs which can be significantly mitigated through the implementation of the recommendations of the Retiree Health Task Force. Although the estimated FY2010 annual required contribution is $2.2 million above budget, cost of health care for current employees is $5 million below budget as of March 2010.
- FY2010 residence hall occupancy is down by 277 or 4%.
- FY2010 enrollment is above budget by 735 FTEs or 3.3%.

Campus Financial Forecasts as of April 30, 2010
- UMaine is projecting an overall FY2010 net increase from operations of $1.9 million or $1.5 million above budget. Enrollments at UMaine were above budget by 470 FTEs or 5.3% and residence hall occupancy is below budget by 156 or 4.3%.
- UMA is projecting a $938 thousand net increase and enrollments were above budget by 160 FTEs or 6.2%.
UMF is projecting a $875 thousand net increase. Enrollments were above budget by 98 FTEs or 5.4% and residential hall occupancy is below budget by 34 or 3.2%.

UMFK is projecting to balance its budget at the close of FY2010. This is an improvement since November when UMFK was projecting a net loss of $127 thousand. Enrollments were below budget by 35 FTEs or 4.6% and residence hall occupancy is below budget by 34 or 17%.

UMM is projecting a $50 thousand net increase. Enrollments were above budget by 30 FTEs or 5.4% and residence hall occupancy is above budget by 1 or 0.4%.

UMPI is projecting a $337 thousand net increase. Enrollments were below budget by 8 FTEs or 0.8% and the residence hall occupancy is below budget by 22 or 7.3%.

USM is projecting a $2.1 million net increase. Enrollments were above budget by 4 FTEs or 0.1% and residence hall occupancy is below budget by 32 or 2.2%.

System-wide Services is projecting to meet its budget. The reductions to the operating budget in personal services, supplies, utilities, professional services and travel offset the reduction in State Appropriations due to the curtailment.

**Proposed FY2011 Budget and Recommended Student Charges.** Ms. Wyke reviewed the proposed FY2011 Budget and Recommended Student Charges. All the campuses submitted balanced budgets. The three smallest campuses were dependent on stimulus funds in order to balance their budgets. The FY2011 weighted average tuition increase for in-state undergraduates represents the lowest tuition increase in 6 years at 4.8%. UMaine has the lowest in-state tuition, including mandatory fees, of the land-grant universities in New England and the second lowest out-of-state tuition, including mandatory fees.

The FY2011 budget drivers and budget challenges include the following issues. FY2011 appropriation is $6.9 million below the FY2008 level and there is the potential for further reductions. The projected enrollment for UMS is 1.2% above the FY2010 budget; however, this projection is 2% below the FY2010 actual. For in-state, undergraduate students, the UMS weighted average tuition increase is 4.8%, a 4.7% increase in combined tuition and mandatory fees, and a 4.5% increase in total cost (tuition, mandatory fees, room and board). Although there are no across-the-board increases in compensation in FY2011, the benefits rate increased from 49.3% to 51.9% driven largely by the increased cost of health insurance. The State Appropriation has been declining as a percentage of the UMS budget for the past twenty years. While Maine’s General Fund revenue will grow over the next few years, revenue is not projected to return to the FY2008 level over the next biennium. Maine’s 15 to 24 year old population will decline by 19.5% by 2020. Maintaining current enrollments will be challenging and will require our universities to work differently in order to attract more students, including adults and the nearly 50% of high school graduates who currently do not enroll in college. The UMS’ ability to raise revenue will continue to be restrained by what Maine people can afford. The State of Maine’s 2008 per capita personal income ranked 30th in the nation at $36,457. Compensation and benefits constitute 72% of our E&G operating budget and represent the single largest cost driver in the budget. Particularly challenging is that benefit costs increase at a rate that exceeds the growth in revenue sources. The UMS has a little less than three months worth of operating expenses held in reserve. The UMS has more than 650 buildings providing just over 9 million square feet of space located across the state. Three-fourths of the buildings (74%) were constructed before 1970. The age of facilities, limited capital renewal funding, code changes, and functional obsolescence have resulted in a capital renewal requirement of over $350 million. Our universities are not able to fully fund depreciation and sporadic and inadequate State bonding for the university infrastructure makes it impossible to
systematically address our needs. The Federal Stimulus dollars have been cushioning the loss of State Appropriation since FY2009. These funds disappear after FY2011 and it is unlikely that State revenues will rebound sufficiently to make up the difference.

The FY2011 proposed operating budget revenues total $518.5 million and expenses including depreciation total $528.1 million. This results in an operating loss of $9.6 million. The operating loss is then adjusted for depreciation, capital expenditures and debt service principal resulting in a net change in cash of $656 thousand. The State Fiscal Stabilization funds of $6.4 million is added resulting in a budgeted surplus of $7.1 million.

UMS total enrollment is 24,699 FTEs or a 2% decrease from last year’s actual. UMaine in-state tuition & mandatory fees for FY2011 is $10,142 which is the lowest of all New England land-grant universities. UMaine out-of-state tuition and mandatory fees for FY2011 is $25,172. The comprehensive student cost of education at UMaine for FY2011 is $18,908. The weighted average annual tuition for all campuses for FY2011 is $7,317 or a 4.8% increase from FY2010. The System-wide weighted average mandatory fees for FY2011 are $1,358 or a 4.1% increase. The System-wide annual comprehensive student charges which includes tuition, mandatory fees, room and board is $17,172 or a 4.5% increase.

The System-Wide Services FY2010 base budget reductions due to the curtailment have been carried forward to FY2011. The FY2011 budget reflects $1.1 million in base budget departmental reductions resulting in decreased expenditures of $800,000. The FY2011 operating budget is the lowest in 6 years. The Strategic Investment Funding for our universities increased by $1.8 million. Significant progress on the savings initiatives included in the New Challenges, New Directions Plan resulted in reduced expenditures for FY2011 and beyond. Compensation and benefit increases during a time of flat or declining revenues continues to be a challenge. The operating budget remains dependent on $2.0 million of temporary investment income and there is still uncertainty of the level of State Appropriation in the future.

Trustee Fournier thanked the staff for their efforts in developing the comprehensive budget. Ms. Wyke discussed the FY2011 financial planning timetable in response to a question by Trustee Hood.

**FY2011 Campus Budget Presentations.** The Presidents and Chief Financial Officers at all seven Universities briefly presented highlights of their FY2011 budgets including how their budgets support strategic directions, address financial risks, include contingency plans, how they will move their institution forward and possible uses of stimulus funds.

**Miscellaneous Issues.** The Committee had a general discussion of the June Bond referendum, State Appropriations, funding for deferred maintenance, three year degree programs, and the data and information from the Noel Levitz report.

Adjournment

Ellen Doughty for
J. Kelley Wiltbank, Clerk