Finance/Facilities Committee


Absent: Angela Faherty, Tamara Grieshaber, William Johnson, Kevin McCarthy, Victoria Murphy, and Wayne Newell.

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

Financial Update. Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, provided a financial update on the following items.

FY2010 Forecast versus Budget as of April 30, 2010
The UMS has a forecasted surplus of $18.9 million for FY2010, which is 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, the 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. 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 an $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.

Managed Investment Pool, Pension and Operating Funds
For March 2010 the UMS Managed Investment Pool, including Endowments, grew by 4.3% and fiscal year-to-date the fund has grown by 19.8%. The market value of the Managed Investment Pool is $152.7 million. The Pension Fund in March 2010 grew by 3.5% and fiscal year-to-date the fund has grown by 17.5%. The market value of the Pension Fund is $46.1 million. The Operating Fund in March 2010 grew by .6% and fiscal year-to-date the fund has grown by 5.9%.

Update on FY10 Savings Targets
The System-wide Services implemented $11.5 savings to balance the FY2010 budget and is on target to achieve the full amount. The full amount of $6.5 million for Workforce Management has been implemented through agreements with all six bargaining units. The Hybrid IT Model and Other Savings is on target to achieve $.6 million in savings for FY2010 and is on target to achieve $1 million in savings in FY2013. Implementation of the Touchnet convenience fee solution for UMF, UMM and USM is on target to save $350 thousand. The tuition waivers which were reviewed by the Board in November 2009 and Administrative Practice Letters are in place for a $200 thousand savings beginning in FY2011. The implementation of Strategic Procurement is in process and on target to achieve $600 thousand in savings. The review of low-enrolled courses was implemented to balance the FY2010 budget.

June Bond Issue
The UMS energy and infrastructure upgrade projects for the June 2010 State Bond Referendum totals $9.5 million with projects at all seven campuses.

Proposed FY2011 Budget and Recommended Student Charges. Trustee Fournier explained that the Finance/Facilities Committee met on May 17th to review in detail the proposed FY2011 Budget and received campus budget presentations from all seven Presidents and Chief Financial Officers. Ms. Wyke provided a brief summary of proposed FY2011 Budget and Recommended Student Charges. All seven universities and the System Office have submitted balanced budgets for FY2011. The three smallest campuses (UMFK, UMM, and UMPI) 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 is 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.

On a motion by Trustee Mitchell, which was seconded by Trustee Hood, the Committee agreed to forward the recommendation to the content agenda.

**Establishment of the Thayer Endowed Chair in Innovation – UM.** Trustee Fournier briefly provided an overview of the establishment of the Thayer Endowed Chair in Innovation at UMaine. The Thayer Endowed Chair in Innovation was established at UMaine in 2010 by a generous unrestricted bequest from Col. Arthur L. Thayer Jr. and Helen Thayer. Two million dollars from this bequest will be used for the Thayer Endowed Chair in Innovation.
The Chair will build upon the excellence of the groundbreaking Innovation Engineering and programs affiliated with the Foster Center for Student Innovation at UMaine by recognizing a distinguished teacher engaged in exceptional interdisciplinary teaching and faculty mentorship in the field of innovation. A distinguished scholar-teacher will be named to this chair and receive a stipend from these funds as recognition of his/her contributions. The initial appointment to the named chair shall be for five years with reappointment contingent upon performance and availability of funds. The fund shall be administered by the Provost at UMaine.

On a motion by Trustee Wishcamper, which was seconded by Trustee Mitchell, the Committee agreed to forward the recommendation to the content agenda.

**Ellsworth Center Lease Renewal – UMA.** Trustee Fournier explained the lease renewal for the Ellsworth Center. The Hancock County Higher Education Center/University College at Ellsworth Center is operated by the University of Maine at Augusta in collaboration with Eastern Maine Community College. It has been located in its present location for more than fifteen years and is well known in the region. The present rental has served the needs of the University and the Community College students extremely well and is located near the high school, has adequate parking, and provides excellent visibility. The current lease lapses in July 2010.

The Center Director investigated alternation locations in the Ellsworth area. However remaining at the current site is the preferred alternative and would avoid the significant relocation costs. The present rental is $14.51 per square foot. The proposed lease terms for the five year renewal are as follows:

- August 1, 2010 through July 31, 2011: $14.51 per sq. foot
- August 1, 2011 through July 31, 2015: $15.23 per sq. foot

On a motion by Trustee Wishcamper, which was seconded by Trustee Mitchell, the Committee agreed to forward the recommendation to the content agenda.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk