Finance/Facilities Committee

Present: Trustees: Norman Fournier, Chair (Polycom); Benjamin Goodman (phone), Michelle Hood, Victoria Murphy (Polycom), and Lyndel Wischemper (Polycom).


Absent: Kevin McCarthy and Paul Mitchell.

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

Relocation of Saco Center, University College - UMA. President Allyson Handley, UMA, and Dr. Curt Madison, Director of Distance Education, presented the University of Maine at Augusta’s request for Board approval to relocate the University College Center in Saco from its current building at 110 Main Street, to another building on the same property and to enter into a five year lease with two five-year renewal terms.

Although the state’s economy has not yet fully recovered, Saco is one of the fastest growing regions in the State of Maine. The Center serves a mix of traditional and non-traditional students. Over 70% of the student population attending Saco is female. Many USM students utilize the Saco Center, rather than travelling to USM campuses in Gorham or Portland because Saco is closer to where they live and/or work and therefore is more convenient. Despite the challenging economy and demographics, enrollments at the Saco Center remain strong. As of the January 25, 2011 head count, 594 students are attending the Saco Center this semester, taking a mix of on-site, ITV, web-based, and videoconference courses offered by all seven University campuses. This represents a 19.3% increase in headcount over the same date in 2010.

The University’s current lease expires on February 28, 2011. Discussions with the landlord, Island Point, LP, have been on-going for the past several months. The landlord has offered the University an option to move from its present location to a more desirable location within the complex. The new location is a two-story building which is approximately 10,000 gross square feet. The University will be the only tenant in the building. The landlord has agreed to pay all of the fit-out costs for the new location, which is estimated to be approximately $1 million. The interior of the new location will be fully built and turn-key and will be available for University use at the start of the fall 2011 semester. The renovations will be designed to meet the needs of the University and will comply with all current building codes applicable to the University. The new location will be handicapped accessible (the current location is not 100% accessible). A six month lease extension will be executed to permit the Center to remain in its current location while the new space is being prepared.

That the University of Maine System Board of Trustees authorize the University of Maine at Augusta to enter into a five year lease with Island Point, LP to lease approximately 10,000 gross square feet of fully renovated space in “Building 7” for use by the University College of Saco, subject to the review and approval by University of Maine System Vice Chancellor and Treasurer and Legal Counsel. The
initial five-year lease will begin September 1, 2011 and conclude August 31, 2016 and will contain two five-year renewal terms. The initial annual rent for the first year of the initial five year term will be $8.43 per square foot. Annual rent will increase thereafter based upon CPI. In addition, beginning in Year 2 the University will be responsible for proportionate increased taxes, insurance, and operating expenses.

Trustee Wishcamper questions paying for rent increased based on CPI and the cost increases enumerated above as this would in essence constitute paying twice. Management agreed to address this issue.

Dr. Madison indicated that he anticipates the enrollment growth rate at the Saco Center would be in line with the projected rate of 10%.

On a motion by Trustee Hood, which was seconded by Trustee Murphy, the Committee agreed to forward the recommendation to the Consent Agenda for the March 14, 2011 Board meeting, with the modification on rent increases noted above.

**Renovation to Bailey Hall - USM.** Mr. Dick Campbell, Chief Financial Officer at USM, presented the University of Southern Maine request that the Board approve $1 million to renovate, reconfigure, and modernize space in Bailey Hall for use by the Registrar, Student Financial Aid, and Student Accounts. He explained this renovation will relocate these services to provide more fully consolidated “one stop” access for students by placing them in areas adjacent to other academic and student services. The space in Bailey Hall to be renovated includes reconfiguring office and classroom space on the first floor and renovation and reconfiguring of classrooms as well as other space on upper floors to improve classroom quality.

Moving these services from the existing location in Corthell Hall will provide opportunity for the Music Department to expand space for student practice, student performance, faculty offices, and classrooms. The combined Bailey and Corthell projects will result in no net change in the number of classrooms on the Gorham campus.

This project is E&G funded with the costs split between FY2011 and FY2012. The FY2012 costs are expected to be funded by the sale of 68 High Street in Portland, which is currently under contract for sale with a scheduled closing of September 2011.

On a motion by Trustee Murphy, which was seconded by Trustee Hood, the Committee agreed to forward the recommendation to the Consent Agenda for the March 14, 2011 Board meeting.

**Data Center Upgrade - UMS.** Ms. Rebecca Wyke, Vice Chancellor for Finance and Administration and Treasurer, explained the UMS Information Technology Services request to increase the authorization for the Data Center Upgrade by $3.89 million to address critical electrical and mechanical system deficiencies and other needed upgrades at the computer data center located in Orono.

UMS Information Technology Services (ITS) operates data centers located at UM and USM. Each data center is critical for UMS academic and business operations in terms of reliability, capacity, recoverability and security. Additionally, a failure of either data center would adversely affect services offered to the K-12 community, state government and others which are supported by UMS ITS.
In July 2009, the Board of Trustees approved a $1.1 million project to address critical deficiencies identified in a 2007 high level analysis of the physical vulnerabilities of both data centers conducted by Forsythe, an IT infrastructure consultant. $400,000 was allocated to the USM data center and $700,000 was allocated to the UM data center.

Harriman Architects + Engineers of Auburn, ME were hired to review and design the improvements for both data centers. Review of the USM data center project shows the budget is sound and the project is currently being coordinated with USM’s $700,000 energy upgrade and the capital renewal project for the Science Building that was approved by Board in January 2011. Harriman’s review of the UM Data Center in Neville Hall has revealed systemic deficiencies in the mechanical and electrical systems that will require an additional $3.89 million to properly correct in order to reduce vulnerability to failure, improve electrical reliability, improve back up power systems, increase energy efficiency, increase IT operating efficiencies and provide for improved physical security and fire control.

Ms. Wyke explained that UMS is in the process of receiving a second opinion on the Data Center upgrades, which was at the request of the Board Chair and Vice Chair. Woodard and Curran is the company who will provide this information and the UMS has received a verbal briefing that indicated the projected costs for the Data Center upgrades are in line with what is stated in the current proposal.

Funding will come from UMS unrestricted reserves and may be phased, if necessary, to spread the cost over two fiscal years. This will bring the total cost for both data center projects to $4.99 million. Ms. Wyke indicated that other funding options are being pursued to share in the costs including grant funding or a Legislative bill.

On a motion by Trustee Wishcamper, which was seconded by Trustee Murphy, the Committee agreed to forward the recommendation to the Consent Agenda for the March 14, 2011 Board meeting.

**Review Proposed Delegation of BOT Authority to the Finance/Facilities Committee.** Trustee Fournier lead a discussion regarding the project approval authority of the Finance/Facilities Committee. Options for expanding Committee authority was discussed in order to allow for the best productive and effective use of Board time at future regular meetings. Below is a summary of the current and proposed authority for management, the Board, and the Committee. The changes in authority are underlined.

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<th>Activity Description</th>
<th>Management Authority</th>
<th>BOT Authority</th>
<th>Proposed Committee Authority</th>
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| **Construction, Renovation & Equipment**  
Total project cost for construction of a new facility or the capital renewal/ alteration/renovation of an existing facility, or the purchase and installation of equipment. | If less than $500,000. | If greater than $500,000. (BOT Policy 701 Operating and Capital Budgets) | If greater than $500,000 and less than $1 million. |
| **Acquisition of Real Property**  
Acquisition of real property through purchase, gift, or bequest requires prior to transfer of title. | If less than $50,000. | If greater than $50,000. (BOT Policy 801 Acquisition of Real Property) | If greater than $50,000 and less than $200,000. |
| **Property Leased to UMS**  
Initial term of any lease of real property where UMS is leasing from other entities. | If less than $100,000 and less than 5 years. | If greater than $100,000 and/or greater than 5 years. (BOT Policy 801 Acquisition of Real Property) | If the total value of the lease is greater than $100,000 and less than $500,000; and if greater than 5 years and less than 10 years. |
Trustee Hood comments that the Committee should be sure to review the approval levels periodically to be sure they are appropriate. Trustee Wishcamper asked if there is a “road map” or plan for the Committee to follow. Ms. Wyke stated that a Capital Plan is being developed. Trustee Murphy commented that some of the approval levels seem low. Trustee Fournier clarified that the original approval levels that were proposed were much higher; however, he felt that a more conservative approach is best for the Committee for this initial stage and they will review the process at a later date. Trustee Wishcamper stated that he supports the proposed approval levels to keep a greater level transparency and governance. He also commented that he feels the Board should be moving towards systematically making capital investments rather than ad hoc capital investments at a Committee level. Chancellor Pattenaude stated that he is comfortable with the conservative approach with periodic reviews. Trustee Goodman also agreed with the proposed approval levels. Trustee Wishcamper commented that the Committee should be sure the information on leases reflects the total value of the lease not the annual value of the lease.

On a motion by Trustee Hood, which was seconded by Trustee Goodman, the Committee agreed to forward the recommendation to the Consent Agenda for the March 14, 2011 Board meeting.

**Capital Projects Status Report.** Ms. Wyke commented that the only changes were to the estimated completion dates and there are no changes to the approved estimate amounts.

**Carbon Emissions Report.** Ms. Wyke reviewed the Carbon Emissions Report. This report has been shared with the campuses. From 2006 to 2010 the UMS emissions have decreased on a square footage and student full-time equivalent basis and this is largely due to the good work from the campuses.

**System-wide Energy and Environmental Sustainability Initiatives.** Trustee Fournier commented that this is an excellent report and recommended it be shared with all of the Trustees with a brief presentation. As part of the New Challenges, New Directions, UM was established as the UMS Virtual Energy Office to provide support and guidance to the other campuses on energy and environmental sustainability initiatives. Each campus also had individuals with unique expertise so the project became a combined effort. This report is the result of the excellent work by the campuses.

**UMS Core Financial Ratios and Composite Financial Index.** Ms. Wyke reviewed the UMS Core Financial Ratios and Composite Financial Index for FY2006 to FY2010.

**Primary Reserve Ratio**
This ratio indicates whether the resources are sufficient and flexible enough to meet the System needs. The benchmark for this ratio for public universities is .40 which is equivalent to 5 months of reserves. In the years presented, UMS has not reached that benchmark; however, in FY2010 the UMS reached .31.

**Net Operating Revenues Ratio**
This operating results ratio indicate whether the System is living within available resources and the target is at least 2% to 4%. From FY2006 to FY2009 the UMS ratio fluctuated ranging from .38% to 2.58%. However, for FY2010 the UMS ratio increased to 5.26%.

**Return of Net Assets Ratio**
This ratio indicates whether the performance of the financial assets supports the strategic direction of the System. The benchmark for this ratio is 6% and the UMS nominal rate was 6.11% in FY2006 and 8.55% in FY2010. The UMS real rate (nominal rate adjusted for inflation) was 1.01% in FY2006 and increased to 7.65% in FY2010.

**Viability Ratio**
This ratio measures System resources available to cover the indebtedness. The benchmark for the ratio is 1.25 and the UMS was at .99 in FY2010. UMS has not reached the benchmark for the past five fiscal years.

**Composite Financial Index (CFI)**
This is an overall measure of the System’s financial health combining all four of the other ratios. The CFI, as well as its trend line, over a period of time, can be the single most important measure of the financial health for the institution. The CFI high benchmark is 10.0 and the low benchmark is 3.0. In FY2010 the UMS achieved a 3.3; however, during the prior four fiscal years the UMS did not achieve the low benchmark level.

Financial sustainability for an organization the size of UMS means not just achieving these benchmarks for just one year but over a period of time. The UMS has made good progress recovering from the financial crisis.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk