Finance/Facilities Committee


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

Financial Update.

Financial Forecast
Ms. Wyke reviewed the FY2011 Forecast versus Budget as of April 30, 2011. The University of Maine System currently has a forecasted operating surplus of $17.4 million for FY2011, the equivalent of 3.3% of the unrestricted operating budget.

The major components of the forecast are:
- The State Fiscal Stabilization Funds of $6.4 million
- The temporary investment income currently exceeding the annual budget by $7.5 million
- The employee benefit costs are currently $3 million below budget and the projected surplus will be used to mitigate projected employee healthcare cost increases in FY2012.
- The FY2011 FTE enrollment is above budget by 200 FTE, or 0.9%.
- The FY2011 residence hall occupancy is below budget by 485 residents, or 7.1%.

Campus Financial Forecasts
The University of Maine is projecting a $1.6 million net increase at the close of FY2011. The University of Maine at Augusta is projecting a $680 thousand net increase at the close of FY2011. The University of Maine at Farmington is projecting a $780 thousand net increase at the close of FY2011. The University of Maine at Fort Kent is projecting a $56 thousand net increase at the close of FY2011. The University of Maine at Machias is projecting to break even at the close of FY2011. The University of Maine at Presque Isle is projecting a $477 thousand net increase at the close of FY2011 and the University of Southern Maine is projecting a $3.3 million net increase at the close of FY2011. System Wide Services is projecting to breakeven at the close of FY2011.

Managed Investment Pool (including Endowment Fund)
The Fund returned 0.4% in March 2011 and as of the fiscal year-to-date the fund has grown 21.2%. The market value of the Managed Investment Pool is $183.2 million. Changes in market value besides market fluctuation include: contributions and distributions, the UMS contributions
to the OPEB Trust and the Maine Maritime Academy’s participation in the fund since January 2009

Pension Fund
The Pension Fund returned 0% in March 2011; however, the fund has grown 20.1% as of fiscal year-to-date. The market value of the Pension Fund is $46.4 million.

Operating Fund
The Operating Fund returned 0.3% in March 2011 and 4.3% as of the fiscal year-to-date.

FY2012 Budget and Recommended Student Charges. Ms. Wyke reviewed the FY2012 budget and recommended student charges.

FY2012 Budget Highlights
Ms. Wyke explained that all seven universities and the System Office have submitted balanced budgets for FY2012 despite the loss of $6.4 million in American Recovery and Reinvestment Act (ARRA) funds and no budgeted increase in State Appropriation. The weighted average tuition increase for in-state undergraduates of 4.3% represents the lowest tuition percentage increase in 10 years and the lowest dollar increase in eight years. 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.

FY2012 Budget Drivers
The FY2012 budget is based on flat State Appropriations funding, which is $6.9 million below the FY2008 funding level. The projected enrollment for UMS is 0.4% below the FY2011 budget and 1.8% below FY2011 actual. The UMS weighted average for in-state, undergraduate tuition increase is 4.3%. The combined tuition and mandatory fee weighted average increase is 4.1% and the total weighted average of tuition, mandatory fees and room and board is 3.3%. The FY2012 benefit rate is 49.5% which assumes the charge to the Employee Health Plan Task Force is met, reducing the cost trend for the health plan to 6% or less in FY2012. Total budgeted debt service principal and capital expenditures exceed the target of 100% funding for Auxiliary depreciation and 60% funding for E&G depreciation in FY2012; however, some campuses remain below the target.

FY2012 Budget Challenges
State Appropriation to the UMS has been declining as a percentage of the State budget and as a percentage of the UMS budget for the past twenty years. While Maine’s General Fund revenues will grow over the next few years, revenue is not currently projected to return to the FY2008 level over the next biennium, FY2014 and FY2015. Maine’s 15-24 year old population is projected to decline 19.5% by 2020 and Maine’s 2010 per capita personal income ranks 29th in the nation at $37,300. Compensation and benefits constitute 72% of the E&G operating budget and represent the single largest cost driver in the budget. Particularly challenging is that benefit costs have been increasing at a rate that exceeds the growth in revenue sources. The UMS has a little less than four months worth of operating expense held in reserve. Sixty-eight percent of the System facilities is over 25 years of age, a time when critical building needs come due and investment is needed. The Federal Stimulus dollars have been cushioning the loss of State Appropriation since FY2009. However, these funds which totaled $6.4 million in FY2011 have disappeared. The Governor’s proposed budget, which is still pending before the Legislature, sets FY2012 Appropriation at $181.9 million and includes increased debt service of $3.35 million to
cover the State’s commitment to support $7 million in University bonds for renovations to the Memorial Gym.

FY2012 Operating Budget
The FY2012 Operating Budget shows revenues of $523 million and expenses, including depreciation, of $531.3 million for a projected net operating loss of $8.3 million. However, when depreciation of $28.6 million is excluded and budgeted capital expenditures and debt service principal are included, the FY2012 result is a budgeted surplus of $790,000. The enrollment projection for the UMS is 24,623 FTE for FY2012, which represents a 1.8% decrease from FY2011 actual. The UMS weighted average increase for in-state undergraduate tuition is $311 or 4.3%. When mandatory fees are added to the tuition rate increases, the weighted average drops to 4.1%. The weighted average increase for comprehensive student charges is 3.3%.

FY2012 Budget with Enrollment Targets
Ms. Wyke explained that following the budget discussion at the Finance and Facilities Committee meeting on May 16, 2011, a plan has been developed to “layer” on to the FY2012 budget the enrollment targets for each campus from their respective enrollment management plans. The layering allows for the proposed budget to serve as a “base budget.” Then, the revenue associated with the difference between the enrollment targets in the budget and those in the finalized enrollment management plan will be recognized. An associated spending plan for the use of those funds will be identified. The spending plans associated with the increased revenue will be focused on supporting the increased level of enrollment first, then on System and campus priorities appropriate for one-time revenue. This will ensure that budgets are not dependent on the increased revenue and that associated spending plans will only occur if the revenues materialize.

The following is the schedule for this work:

- June 1st – Enrollment Management Plans will be submitted to the Executive Director for Student Affairs for review.
- June 15th – Campus Enrollment Management Plans are finalized and any needed unbudgeted investments for FY2012 are identified.
- June/July – Campuses work to update the FY1012 budgets.
- July 18th – Present to the Finance and Facilities Committee the Incentive and Accountability Plan for achieving goals.
- August 1st – Revised campus budgets due to the Vice Chancellor for Finance and Administration for review.
- September 19th – Present to the Finance and Facilities Committee the Revised FY2012 Budget to include FY2012 Enrollment Targets and a Milestone Expenditure Plan consistent with System and campus established priorities.
- FY2013 Budgets will fully incorporate FY2013 Enrollment Management Plan targets.
Trustee Wishcamper expressed appreciation to the campuses for the good work on their enrollment and feels the budget process will be greatly improved with the linkages between the budget and the campuses Enrollment Management Plans.

On a motion by Trustee Wishcamper, which was seconded by Trustee Hood, the Committee agreed to forward the recommendation to the Consent Agenda.

Trustee Goodman expressed concern with the increase in tuition, fees and room and board charges. He appreciates the System’s efforts to improve efficiencies and reduce costs but wants the Board to be aware of the additional burden to the students through this increase.

**Construction of a Renewable Biomass Heating Plant, UMFK.** Trustee Fournier explained that the University of Maine at Fort Kent is requesting approval from the Board to proceed with installation of a biomass district heating plant at a cost of $867,000. The plant would heat the UMFK Sport Center and the residential Lodge building. The current boilers in the Sports Center are 37 years old and are unreliable. The project would displace an estimated 37,292 gallons of heating fuel annually. The heating plant would be multi-fuel and capable of burning various biomass products depending on price advantage and availability.

The project would be funded primarily with a $500,000 grant awarded May 16, 2011 by the Maine Department of Conservation under the American Recovery and Reinvestment Act and University and System funds. The current estimated simple return on investment including the grant award is approximately 4 to 6 years based on the new system being more efficient and the differential cost in the underlying fuel.

The project is funded by:
- American Recovery & Reinvestment Grant through the Maine Department of Conservation: $500,000
- Campus E&G funds: $167,000
- Internal loan from the System: $200,000
- Total: $867,000

On a motion by Trustee Wishcamper, which was seconded by Trustee Goodman, the Committee agreed to forward the recommendation to the Consent Agenda.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk