Finance/Facilities Committee


Committee Members Absent: None

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 brief financial update.

Managed Investment Pool (including Endowment Fund). The Fund returned 4.1% net of fees in January 2012 and fiscal year-to-date the Fund has lost 2.9%. The market value of the Managed Investment Pool as of January 31, 2012 is $189 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 4.1% in January 2012 net of fees and fiscal year-to-date the Fund has lost 2.7%. The market value of the Pension Fund is $41.2 million.

Operating Fund. The Operating Fund returned 1.6% in January 2012 net of fees and fiscal year-to-date the Fund is flat.

Forecast. Ms. Wyke reviewed the FY2012 Forecast versus Budget and as of February 29, 2012, the UMS is forecasting an unrestricted operating increase of $180 thousand for FY2012 as compared to a budgeted increase of $746 thousand.

Major factors impacting the forecast:

- The temporary investment income budget is $2.0 million. Based on information available for the period ended February 29, UMS has earned $2.505 million for a total budget-to-actual variance of $505 thousand. This forecast does not include any projections for further gains or losses.
- In FY2011, the System realized a $3.4 million surplus in the employee benefit pool, which was primarily from lower than anticipated employee medical and workers' compensation costs. When the FY2012 benefit budget was developed, the total amount that should be recovered from campuses to offset the estimated benefit costs was reduced by $3.0 million and resulted in a lower FY2012 benefit rate. Although reducing the
FY2012 campus recovery results in an estimated $3.0 million deficit in FY2012, the deficit will be mitigated by the utilization of the FY2011 surplus.

- Average full-time equivalent (FTE) enrollments for Fall 2011 were 1.3% (305 FTE) below budget. Fall FTE enrollments were below budget for UMaine, UMM, and USM. Average FTE enrollments for Spring 2012 were 0.7% (146 FTE) below budget. Spring FTE enrollments were below budget for UMaine and USM.
- Fall residence hall occupancy was 5.8% (383 students) below budget with negative variances at UMaine, UMF, UMM, and USM. Spring occupancy was 5.6% (341 students) below budget with negative variances at all campuses.

Campus results are as follows:
- UMaine is projecting positive operating results of $2.8 million or $2.3 million above budget. Spring enrollments were 8,391 FTE or 2.0% below budget and 3.1% below Spring 2011 actuals.
- UMA is projecting positive operating results of $1.0 million as compared to a budget of $43 thousand. Spring enrollments were 156 FTE or 5.8% above budget.
- UMF is forecasting positive operating results of $109 thousand or slightly more than the budgeted $80 thousand. Spring enrollments were 72 FTE or 4.1% above budget.
- UMFK budgeted operating results of $16 thousand but now projects a loss of $212 thousand. Spring enrollments were 5 FTE or 0.7% above budget and residence hall occupancy is down by 12.1% or 23 students.
- UMM is forecasting to break even as budgeted. Spring enrollments were at budget and residence hall occupancy is down by 25 students or 9.9%.
- UMPI continues to project positive operating results of $238 thousand as compared to a break-even budget. Spring enrollments were 3 FTE or 0.3% above budget and residence hall occupancy was down by 4 students or 1.4%.
- USM's projected operating loss has improved from $1.6 million to $1.3 million for a negative budget variance of $1.4 million. Spring enrollments were 212 FTE or 3.2% below budget and residence hall occupancy was down by 215 students or 18.7%. USM plans to cover the anticipated deficit with campus residence life reserves.
- System-wide Services is projecting to meet its break-even budget.

**Maine Public Broadcasting Network (MPBN)**

Trustee Medd provided the Committee with an update on the status of the elimination of State Appropriations for MPBN.

**Approval of Updated Gannett Building Costs – UMA.** Trustee Fournier explained UMA’s request for approval for the updated Gannett Building costs. At its January 11, 2010 Board of Trustees meeting, the Board accepted the generous donation of the Gannett Building at 331 Water Street in Augusta to be used in support of the UMA mission. The renovation of this facility was anticipated to cost approximately $1.1 million. The current updated cost estimate is approximately $1.5 million and the project is expected to conclude by the end of April 2012. Key items contributing to the updated cost estimate include higher than projected bid costs for certain project components and renovation work required to meet programmatic and other needs that had not yet been determined at the time the gift was accepted. The project is funded with reserves set aside for capital improvements. UMA has identified the funds and is not seeking assistance with the cost of the project.
On a motion by Trustee Murphy, which was seconded by Trustee Medd, the Finance/Facilities Committee agreed to forward the recommendation to the Consent Agenda.

Trustee Hood suggested that the policies be reviewed so changes in the capital projects can be brought to the Board more timely.

**Capital Projects Status Report.** Mr. Chip Gavin, System Director of Facilities Management and General Services, briefly reviewed the Capital Project Status Report. Currently all of the projects are on track or have had only minor changes.

**Proposed Addition to Board of Trustees Policy Manual #713.** Ms. Wyke explained the proposed new Board policy #713 – *Post-Insurance Compliance for Tax-Exempt Bonds*. In recent years the Internal Revenue Service (IRS) has focused on whether or not issuers of tax-exempt debt have written policies and procedures for monitoring compliance with certain Treasury Regulations related to tax-exempt bond issues. As a means of gathering this information, the IRS now requires issuers of new tax-exempt debt to indicate on IRS form 8038-G *Information Return for Tax-Exempt Governmental Obligations* whether or not they have such policies and procedures in place. The UMS must file this form for its 2012 Bond issue by May 15, 2012. Adopting the new policy and implementing the Administrative Practice Letter on compliance is necessary to enable the UMS to certify that such a policy is in place when signing the IRS Form 8038-G for the 2012 Bond issuance.

On a motion by Trustee Johnson, which was seconded by Trustee Medd, the Finance/Facilities Committee agreed to forward the recommendation to the Consent Agenda.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk