Finance/Facilities Committee


Committee Members Absent: Michelle Hood.

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.

Managed Investment Pool (including Endowment Fund). In September the Fund has returned 2.3% gross of fees and fiscal year-to-date the Fund has returned 5.4%. The market value of the Managed Investment Pool (MIP) as of September 30, 2012 is $208 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. In addition, the UM School of Law Foundation joined the MIP in July 2012 investing nearly $3 million.

Pension Fund. In September the Pension Fund has returned 2.1% gross of fees and fiscal year-to-date the Fund has returned 5.1%. The market value of the Pension Fund is $40.6 million.

Operating Fund. In September the Operating Fund has returned 0.9% gross of fees and fiscal year-to-date the Fund has returned 2.7%.

FY2012 Actual vs Budget Internal Financial Reporting. For FY2012, the UMS experienced a positive net increase from unrestricted operations of $8.9 million; the equivalent of 1.7% of the unrestricted annual operating budget. The major factors impacting the year-end results include:

- The temporary investment income budget was $2.0 million. UMS earned $3.682 million for a total budget-to-actual positive variance of $1.682 million.
- In FY2011, the System realized a $3.4 million surplus in the employee benefit pool – primarily from lower than anticipated employee medical and worker’s compensation costs. The FY2012 benefit rate was reduced due to the planned utilization of the $3.0 million in FY2012. Only $1.97 million was required in FY2012 to offset expenditures.
- System-wide Services increase includes $2.1 million in FY2012 strategic funds that will be utilized in FY2013 to mitigate the tuition freeze and to fund Board of Trustees “Goals and Actions” projects. This increase was offset by $589 thousand in start-up costs for the Chief Information Security Office; although not included in the FY2012 budget, the System had planned to utilize reserves.
• Energy costs were $5.968 million below budget as the result of a mild winter, various energy-saving initiatives, and contracting for fuel and electricity below the anticipated price.
• Average FTE enrollments for Fall 2011 and Spring 2012 were 1.0% (226 FTE) below budget.
• Average residence hall occupancy for Fall 2011 and Spring 2012 were 5.2% (331 students) below budget.

FY2013 Forecast vs Budget.
As of September 30, 2012, the UMS is forecasting an unrestricted operating increase of $4.7 million for FY2013. It should be noted, however, that this includes the current $3.8 million in temporary investment income above budget.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Net Increase (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>UMaine</td>
<td>$664 Thousand</td>
</tr>
<tr>
<td>UMA</td>
<td>$184 Thousand</td>
</tr>
<tr>
<td>UMF</td>
<td>$(23) Thousand</td>
</tr>
<tr>
<td>UMFK</td>
<td>$3 Thousand</td>
</tr>
<tr>
<td>UMM</td>
<td>0</td>
</tr>
<tr>
<td>UMPI</td>
<td>$12 Thousand</td>
</tr>
<tr>
<td>USM</td>
<td>$83 Thousand</td>
</tr>
<tr>
<td>System-wide Services</td>
<td>0</td>
</tr>
<tr>
<td>Temporary Investment Income</td>
<td>$3.793 Million</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4.716 Million</strong></td>
</tr>
</tbody>
</table>

The major factors impacting the forecast include the following:
• The temporary investment income budget is $2.5 million. Based on information available as of September 30, UMS has realized total income of $6.3 million for a total budget-to-actual positive variance of $3.8 million. This forecast reflects only the gain realized thus far and does not include any projections for future gains or losses.
• Campus budgets and projections include the transfer of $1.0 million in System Reserves to offset the FY2013 in-state, undergraduate tuition and unified fee freeze. These one-time funds were provided to institutions to allow time to bridge the budgetary gaps that resulted from this freeze.
• Average FTE enrollments for Fall 2012 were 0.7% (157 FTE) above budget. FTE enrollments were 0.3% (67 FTE) above Fall 2011 actual enrollments.
• Average residence hall occupancy for Fall 2012 was 0.4% (25 students) below budget; however, residence hall occupancy was up by 8 students when compared to Fall 2011.

**Capital Projects Status Report.** Mr. Chip Gavin, System Director of Facilities Management and General Services, provided an update of the Capital Projects Status Report. The report reflects 16 projects, reduced from 18 as last reported in September.

**Integrated Workplace Management System Business Case.** Mr. Gavin provided an update on the Integrated Workplace Management System Business Case. The Integrated Workplace Management System is a technology project tool to consolidate facility operations and work flow for all of the campuses. This will replace legacy software programs currently being used. The project’s current estimated cost is approximately $1.5 million and more information on this project will be available in the first quarter of 2013.
**Performance Based Funding Model Presentation.** Ms. Wyke introduced Mr. Dennis Jones from NCHEMS who presented an overview of Outcomes-Based Funding. The design principles for implementing outcomes-based funding include the following:

- Get agreement on goals before putting outcomes-based funding in place
  - Goals need to be the driving force for outcomes-based funding – not a rhetorical afterthought
- Don’t construct performance metrics too narrowly
  - It is important that all institutions have an opportunity (not a guarantee) to benefit by excelling at their different missions
- Design the funding model to promote mission differentiation – use it to sharpen distinctions, not blur them
  - States are not differentiating within their community colleges (it is one size fits all)
- Include provisions that reward success in serving underserved populations
  - Among the possibilities
    - Low income, minority, adult, academically at risk, and geographically hard to serve
- Limit the numbers of outcomes to be rewarded
  - No more than 4 or 5
  - Too many and both institutional focus and the communication value are lost
  - Use metrics that are unambiguous. For example: numbers of graduates and not graduation rates

The Outcomes-Based Funding needs to be aligned with the goals for the State of Maine which are: increase the educational attainment of the working-age (25-64) population of the State, meet the workforce needs of Maine employers, contribute to the economic development of the State, and improve the productivity of the University of Maine System institutions. Mr. Jones recommended that the UMS use the following preliminary metrics:

- Degrees awarded – this includes premium for degrees awarded to priority populations (adults and transfers)
  - Degrees awarded in priority fields such as Allied Health, STEM, other statewide needs, and regional need by campus
  - Productivity - the number of degrees awarded per 100 FTE students and the number of degrees awarded per $100 thousand of Appropriation and net tuition/fees
- Credit accumulation – temporary metric to be phased out over 3 years
- Economic Development

The implementation principles that he suggested for the UMS to use were a three-year rolling average for each metric to smooth out performance dips and spikes, reward relative improvement, make the performance funding pool large enough to command attention and drive outcomes and employ a stop-loss provision during phase-in. The next steps that Mr. Jones recommended to the UMS are to finalize recommendations for weighting of the metrics and allocation of points; determination of priority fields and economic development metrics; continued engagement of key constituencies: University Presidents, CFOs and CAOs; and incorporation of feedback

**Gorham Central Heat Plant Replacement, USM.** Mr. Dick Campbell, Chief Financial Officer and Mr. Bob Bertram, Executive Director of Facilities Management, from USM explained that the University of Southern Maine requested authorization to expend $2.7 million to replace the Gorham
Central Heat Plan equipment, install a stand alone steam generator in Brooks Dinning Hall, and replace other central heat plant related heating equipment as necessary. The American Society of Heating, Refrigeration Ventilation and Air Conditioning Engineers, Inc. (ASHRAE) estimates the service life of these types of boilers to be 30 years. The condition assessment concluded that the boilers' critical components have undergone thermal stress cycles beyond the expected service life, thereby making it impracticable for any type of life extension; there should be no expectation of continued reliable service for these boilers.

These boilers feed the hot water distribution system that supplies high temperature/high pressure hot water throughout the main buildings on the Gorham campus. This includes heating the main buildings, providing domestic hot water within each building and providing domestic hot water and steam for food preparation in Brooke's Dining Hall. The present boilers were installed in the mid to late 1960's and are over 45 years old. A life extension, though financially impractical, would require replacement of all major components consisting of burner, tubes and tube sheets, refractory, insulation, boiler jacket and controls. Therefore the options explored within this study only consider replacement of the existing boilers. The current energy source is natural gas and there is no proposal to change the energy source given the current relative cost and emission advantages of gas.

The project consists of:

- Replacing three high pressure/high temperature boilers and related boiler room equipment.
- Removing the Brooks Dining Hall steam load from the hot water distribution system and install a standalone steam generation system.
- Installing a 150 kW standby emergency generator to provide emergency backup power to the Central Plant and Facilities Management Building during an extended or unplanned electrical outage. This generator will provide power to operate these facilities at full power during an outage, thereby retaining the ability to maintain hot water distribution throughout the campus loop during such times.

USM has been planning this project for three years and accumulating the funds necessary to support it. During this period, $1,800,000 was earmarked for this purpose to the Capital Planning Reserve. These funds will be supplemented by the $702,596 generated by the sale of 68 High Street in December 2011 and $197,404 from FY2013 E&G funds budgeted for capital improvements.

On a motion by Trustee Collins, which was seconded by Trustee Hadyniak, the Finance/Facilities Committee agreed to forward the Gorham Central Heat Plant Replacement for USM recommendation to the November 5, 2012 Board of Trustees meeting Consent Agenda for action.

**Water Tank Refurbishment, USM.** Mr. Campbell and Mr. Bertram from UMS explained the requested approval to expend up to $625,000 to refurbish, repair, epoxy coat and bring up to current code standards the existing 600,000 gallon water tank on the Gorham Campus. The water tank was constructed in 1958. Its purpose is to provide sufficient water pressure to the highest buildings on the Gorham campus; including New Hall, Bailey Hall, and Woodward Hall. Along with increased pressure for domestic water use, it is also required (in the absence of multiple fire pumps) for adequate fire protection. The water tank has received cosmetic improvements and visual inspections since its construction. A recent structural and code compliance analysis revealed critical component deterioration in the exterior and interior surface treatments of the tank, as well as many code and safety deficiencies because of code changes over the past 54 years. Given accepted practices at the time of construction, hazardous material abatement and disposal is expected to be required.
The project consists of:

- Interior and exterior "blast" cleaning with complete hazardous materials containment; application of appropriate Epoxy surface treatment on both exterior and interior.
- Upgrade, install, repair or otherwise address items such as ladders, handrails, hatch access, aviation warning lights, anchor bolts and chains, concrete foundation deterioration, and other safety and code compliance concerns.

The water tower is 105' tall and it is 30' in diameter. It is visually prominent from certain approaches to and locations on the campus. The nature of the structure and its location and visibility provide a unique opportunity for integration of some type of artwork and the University expects to incorporate that opportunity in the project. The project is estimated for completion in calendar year 2013 with most of the construction occurring during the summer of that year.

The approval amount for this project is within the Finance/Facilities Committee purview and therefore does not require full Board of Trustee approval.

On a motion by Trustee Johnson, which was seconded by Trustee Turner, the Finance/Facilities Committee agreed to approve the recommendation of the Water Tank Refurbishment at USM.

**Exchange of Property at Old Town, UM**  Ms. Janet Waldron, Executive Vice President of Finance and Administration at UMaine, explained that UMaine requested authorization by the Board of Trustees pursuant to Board Policies 801 and 802 to transact with SSR, LLC an acquisition and disposition of land in Old Town, Maine. The proposed transfer is an exchange of properties. The property for transfer is identified on the Old Town tax maps as Map 3 Lot 1A to SSR, LLC in would be exchanged for the property identified on the Old Town tax maps as Map 7 Lot 30.

SSR, LLC formally approached the University in June 2012 with a proposal to trade properties. The University subsequently contracted with Dwyer Associates, of Augusta, to perform an appraisal on both properties, and with Penobscot Valuation Services, of Orono, to perform an appraisal on the property to be acquired. An environmental assessment of the to-be-acquired property is being conducted by S.W. Cole in October, 2012. A review of the appraisals indicates the land trade would provide various benefits to the University.

SSR, LLC owns a 100+/- acre woodlot on the North side of Poplar Street, identified on Old Town tax maps as Map 7 Lot 30. Two appraisals of this property were recently conducted using the direct comparable sale approach. One listed its estimated market value at $80,000, or $800/acre, and the other estimated the market value at $90,000.

This lot abuts University of Maine System property recently acquired by donation from the Orono Land Trust, which had purchased the property from the Sewall family with $600,000 in funds from of North American Wetlands Conservation Act and $400,000 of Land For Maine's Future Fund. This property, which is located less than five miles from the campus center, has an existing network of logging twitch trails and mixed-wood timber stands which have been managed professionally and carefully for years by Prentiss and Carlisle. The property is generally level topographically, and mostly well-drained, with no buildings. It contains hardwood and other trees, approximately 22+/- cords/acre, which will prove to be of great value to University research and education programs. In addition, the dry log landing spot on the property would provide parking space for safe public access to existing and potential recreational trails on this and the abutting property.
On a motion by Trustee Turner, which was seconded by Trustee Collins, the Finance/Facilities Committee agreed to the Exchange of Property at Old Town for UM and forward the recommendation to the November 5, 2012 Board of Trustees meeting Consent Agenda for action.

**Service Building Naming, UMM.** President Cynthia Huggins explained that the University of Maine at Machias requested approval from the Board of Trustees to name the Support Building in honor of Donald C. Crandlemire as the “Crandlemire Support Building”.

This request is pursuant to Board Policy 803, which reserves to the Board the authority to name any physical facility in the University of Maine System and defines a physical facility as a structure or assembly of structures enclosing or defining an occupiable space or activity area. The Support Building is a one-story, 4,291 square feet building used by the Facilities Department for vehicle and equipment servicing, shop spaces, and a meeting and break room space.

Don Crandlemire, University of Maine '55, served as the University of Maine at Machias Director of Physical Plant for 23 years, retiring in 1996. He was the first Director of Physical Plant to serve at UMM. He served the university from 1973 to 1996 during a period of significant expansion of the campus academic facilities. Mr. Crandlemire passed away August 28, 2012. The UMM Yearbook was dedicated to him in 1996.

President Huggins and the UMM community wishes to honor him for his long dedication to creating and maintaining excellent campus facilities and grounds in support of UMM's students and community. This request is not based on financial considerations. At the same time, this naming honors the wishes of an anonymous donor who has arranged to gift $10,000 the University contingent on the naming. The annual operating costs of the facility are estimated to be $7,500.

On a motion by Trustee Johnson, which was seconded by Trustee Turner, the Finance/Facilities Committee agreed to authorize the naming of the "Crandlemire Support Building" at the University of Maine at Machias and forward the recommendation to the November 5, 2012 Board of Trustees meeting Consent Agenda for action.

**Civic Center Lease Renewal, UMA.** President Allyson Handley explained that the University of Maine at Augusta requested Board approval to continue its leased occupancy of 16,800 square feet in the Augusta Civic Center for a period of 5 years with an optional 5 year renewal beginning January 1, 2013 at an estimated first-year cost of $83,000 or approximately $4.95 per square foot. The Civic Center space is used by UMA for classrooms, the campus fitness facility and recreation center, faculty offices, and nursing classroom and laboratory space. More than 40 years ago the University and the City of Augusta entered into a long term agreement whereby the University agreed to be an anchor tenant in the proposed Augusta Civic Center. The arrangement allowed the City to secure financing to design and construct the Augusta Civic Center. UMA has occupied the space at the rear of the Augusta Civic Center, which was constructed to meet UMA's needs, since 1972. The first lease period was for 20 years. It has been renewed twice since then for a total of an additional 20 years of occupancy.

UMA will continue to pay the operating costs of the space in a so-called triple-net lease. The agreement also permits annual base rent adjustments at the rate of the consumer price index. UMA has a continuing need for the space, it is adjacent to the Augusta campus, already integrated in campus operations, represents a unique public partnership, and offers a rate determined by UMA to be very competitive in the marketplace. The cost is less expensive than any options identified in a recent preliminary space study at UMA. The current lease agreement expires December 31, 2012.
On a motion by Trustee Medd, which was seconded by Trustee Johnson, the Finance/Facilities Committee agreed for UMA to lease approximately 16,800 square feet at the Augusta Civic Center for a term of 5 years with the option to renew for a single 5 year period subject to review and approval of final terms and conditions by the Vice Chancellor for Finance and Administration and University Counsel and will forward the recommendation to the November 5, 2012 Board of Trustees meeting Consent Agenda for action.

**Multi-Campus Power Purchase Authorization.** Mr. Gavin explained that the University of Maine System is pursuing new thermal energy agreements at as many as four campuses through the System-wide Energy Team. The initiative specifically seeks to use alternative contracting approaches to assist multiple campuses in converting existing heating oil consumption to economically advantageous natural gas or related products even in the absence of a natural gas pipeline. Using a thermal energy agreement approach will allow private partners, rather than the University, to make the initial capital investments that may be necessary to accomplish the conversion.

The core goals are to maximize energy savings and to minimize the need for initial capital investment by the University. Additional benefits, such as an improved environmental footprint, also are possible. Current expectations indicate the project could cost-effectively displace as much as 200,000 gallons of heating oil. This initiative ultimately may generate agreements that involve capital projects valued at more than $500,000 and leases sufficient in scope to require Board review. In certain circumstances, the Board would approve such a capital project before it is advertised for public bidding. In this case, the contracting process is different and information sufficient to present any particular project to the Board will not be available until after the initiative solicits proposals from private sector partners. Consequently, approval to proceed to that point is being requested.

The campuses directly involved in this project are the University of Maine at Presque Isle, the University of Maine at Machias, the University of Maine at Augusta and the University of Maine at Farmington. The University of Southern Maine and the University of Maine already use or are in the process of converting to natural gas or related products. The University of Maine at Fort Kent is in the process of converting nearly all of its energy to biomass. All campuses have participated in the dialogue for this initiative.

On a motion by Trustee Murphy, which was seconded by Trustee Hadyniak, the Finance/Facilities Committee agreed to authorize the thermal energy initiative to proceed in principle contingent on the return to the Board of any specific project that would warrant further specific consideration by the Board per Policy 701 or 801 and will forward the recommendation to the November 5, 2012 Board of Trustees meeting Consent Agenda for action.

**Advanced Structures and Composites Center Expansion, UM.** Ms. Waldron and Mr. Larry Parent, Assistant Director of the Advanced Structures and Composites Center at UMaine explained that UMaine requested authorization from the Board of Trustees to expend as much as $6.4 million from grants and University funds to construct an 11,000 gross square foot expansion of the Advanced Structures and Composites Center in Orono. The Advanced Structures and Composites Center is dedicated to research, education, and economic development focused on the material science and structural application of hybrid composites.

This specific project will construct a facility to house a research pool approximately 100' x 30' x 15' deep for testing wind turbines and their reaction to wind and waves. The pool will have a crane overhead to move the structures in and around the pool. The pool, enclosure facility, crane, wave
machine and wind generator are included in the cost of the project as well as instrumentation for recording the data. The University describes this as the only facility of its kind in the country and expects it to spur additional research and development in related marine applications from tidal energy to ships. This particular approach to construction of the testing facility in a dedicated space is a modification of the project as envisioned in the original grant and is being supported by the granting agency, the U.S. Economic Development Administration.

The exact location of the proposed facility at UM is not finalized. The ultimate site may precipitate additional costs either as part of this project or as a separate project if, for example, the project disrupts existing parking that must be replaced. Any such costs would be administered in keeping with Board policy 701.

Current funding for the project is broken down as follows:

- $2,900,000 - U.S. Economic Development Administration Grant
- $3,500,000 - University funds

The $3.5 million University share may be reimbursable by general obligation bond proceeds that are authorized and not yet issued. The University is requesting authorization to proceed at this time irrespective of potential bond reimbursement. The project is ready to proceed with design. The project is scheduled to be and needs to be completed by September 30, 2013 in order to meet the requirements of the EDA grant.

On a motion by Trustee Johnson, which was seconded by Trustee Medd, the Finance/Facilities Committee agreed to authorize the University of Maine to expend as much as $6.4 million, including $3.5 million in University funds, to expand the Advanced Structures and Composites Center in Orono for a wind and wave testing facility and forward the recommendation to the November 5, 2012 Board of Trustees meeting Consent Agenda for action.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk