Finance/Facilities Committee


Committee Members Absent: Gregory Johnson, Karl Turner, and Melinda Torrens.

Trustee Collins, Chair pro tem, called the meeting to order and stated he was filling in for Trustee Fournier who was not able to attend in person but will be participating by phone.

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

Managed Investment Pool (including Endowment Fund). In November the Fund has returned 1.2% gross of fees and fiscal year-to-date the Fund has returned 6.5%. The market value of the Managed Investment Pool (MIP) as of November 30, 2012 is $209.8 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 November the Pension Fund has returned 1.0% gross of fees and fiscal year-to-date the Fund has returned 6.0%. The market value of the Pension Fund is $40.1 million.

Operating Fund. In November the Operating Fund has returned 0.2% gross of fees and fiscal year-to-date the Fund has returned 3.0%.

Core Financial Ratios and Composite Financial Index for FY2006 to FY2012. Ms. Wyke reviewed the Core Financial Ratios and the Composite Financial Index for FY2006 to FY2012. The UMS Composite Financial Index for FY2012 is 2.9, which is just below the low benchmark of 3.0 and the high benchmark is 10. The UMS has been above the low benchmark in only two of the past seven years. Financial sustainability by definition means that benchmarks must be achieved or exceeded consistently over time. In FY2008 the UMS was at the point in the Composite Financial Index that indicates re-engineering the institution. In FY2012 the UMS increased to a level that suggests the UMS has sufficient financial strength to direct institutional resources to allow transformation.

Multi-Year Financial Analysis for FY2014 to FY2018. Ms. Wyke briefly reviewed the Multi-Year Financial Analysis for FY2014 to FY2018. This serves as the current service structural gap analysis which measures the gap between revenues and expenditures over time if there were no changes to current services. The analysis also looks at the UMS major expense drivers which are compensation and benefits and depreciation. The major revenue drivers are enrollment, tuition pricing and State Appropriation. The analysis outlines different strategies and the pros and cons for each strategy.
**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 18 projects, increased from 16 as last reported in November.

**Estabrooke Repurposing and Renovation, UM.** Trustee Collins explained that the University of Maine requests approval to expend as much as $3.2 million in University funds to renovate Estabrooke Hall for a new “Collaborative/Active Learning Classroom” and to provide space for the Honors Program and RiSE Center. Estabrooke Hall is a 65,000 square foot facility built in 1940 and used until now for student housing. The Sightlines renovation age is 72 years old and the net asset value is assessed at 73 percent.

In considering the future of the facility, the University reviewed the continued advisability of using the facility for residential purposes in light of the cost of installing statutorily required sprinklers. That assessment demonstrated it would be more cost-effective to repurpose the facility for use as non-residential space. With the removal of Estabrooke and its 164 beds from the bed inventory, the University will have a potential 3,395 beds for the spring semester. In the fall the University had 3,345 beds occupied.

A feasibility study was completed in October 2012 and Schematic Design was completed in December of 2012 for the renovation of the first floor and a portion of the second floor of Estabrooke. The renovation of approximately 18,000 gross square feet will include a second accessible entrance, new accessible bathrooms, a new electrical service and complete new electrical wiring for the renovated spaces. The renovation will provide space for a new “Collaborative/Active Learning Classroom” which will seat approximately 90 students and be fit-out to provide state of the art technology for the new “classroom of today.” The remainder of the renovation will provide space for the Honors Program and RiSE Center to better allow the program constituents to collaborate with each other. The RiSE center is seeking space for approximately 40 people and the Honors Program space will accommodate approximately 15 people as well as a small classroom and some small collaborative/meeting spaces. This space will be an extension of the Honors College home base which is located in the adjacent Colvin Hall.

The estimated project cost for the current renovation phase is approximately $3.2 million and funding has been identified for it by the University of Maine. The intended project schedule is to have documents ready for bidding in February, 2013. Construction will follow with occupancy desired for the fall semester of 2013.

On a motion by Trustee Murphy, which was seconded by Trustee Hadyniak, the Finance/Facilities Committee agreed to forward the recommendation of the Estabrooke Repurposing and Renovation at the University of Maine to the Consent Agenda for action.

**Dow Chapel Disposal, UMA.** Trustee Collins explained that the University of Maine at Augusta requested Board approval to dispose of Dow Chapel on the Bangor campus. Dow Chapel is one of the former military buildings deeded to the University of Maine System in 2001 and is now part of the UMA Bangor Campus. Built in the mid 1950's, the approximately 11,000 square foot facility has a modest second story balcony that overlooks a 4,500 square foot sanctuary. The building includes two classrooms and four offices. Pursuant to the 1971 deed restriction and upon guidance of University Counsel, Dow Chapel may only be used for religious purposes.
The University has not used the facility for a decade and has no present or anticipated future plans for the use of the facility for its own purposes. Given the deed restriction, the University has rented the building to a local church on a month-to-month basis for approximately 10 years. The current tenant has access to an adjacent parking area that is shared with the University. In light of this, the continued use of the facility for such a purpose is not expected to conflict with needs or operation of the University of Maine at Augusta’s campus in Bangor.

UMA Bangor’s current annual operating costs for the facility are estimated to be $36,000. The rent from the facility has been $21,600 annually. The Chapel is in need of major maintenance. It does not meet current accessibility standards for individuals with disabilities. Disposition of Dow Chapel will result in a decrease in UMA’s operating, deferred maintenance and depreciation budgets. The disposition of Dow Chapel will further reduce the square footage of the Bangor campus by 11,000 square feet or 6 percent. Dow Chapel is one of the older buildings on the Bangor campus and has been identified as one with a renovation age of greater than 50 years and a net asset value of less than 31 percent, according to Sightlines.

The University recently engaged the services of a commercial real estate appraiser to appraise Dow Chapel. The appraiser’s report, which took into account the conditions under which the building would be sold, indicated that Dow Chapel has a value of approximately $55,000. The University of Maine at Augusta would seek to dispose of the facility first by publicly advertising the sale of the building with the following conditions:

- The structure would be sold “as-is” to the highest responsible bidder.
- The purchaser must continue to use the building for religious purposes in accordance with the existing deed restrictions.
- The University and the successful bidder will negotiate a long-term lease of a parcel of land on which Dow Chapel sits. The land lease will allow the successful bidder the use of the parking lot and access to the utility lines. The lease will be subject to review and approval by University Counsel and the Treasurer.
- The University will seek first refusal, a reverter clause or other such rights to protect its interests in the event the purchaser can no longer continue to operate Dow Chapel in accordance with the deed restrictions.
- The new owner will be required to maintain the building in accordance with current building codes/standards.

If no sale is satisfactory, the University would pursue alternatives, such as listing the property in the marketplace or direct negotiations with potential buyers. If a sale still did not result, the University would seek to dispose of the facility by demolition.

On a motion by Trustee Murphy, which was seconded by Trustee Medd, the Finance/Facilities Committee agreed to approve the recommendation of the disposal of Dow Chapel located on the University of Maine at Augusta campus in Bangor by sale or demolition and a long-term ground lease for sufficient property associated with the chapel to permit its reasonable use.

**Merrill Hall Boiler Replacement, UMF.** Trustee Collins explained that the University of Maine at Farmington requested Board approval for the expenditure of $650,000 to replace two existing oil-fired boilers in Merrill Hall with two dual-fuel boilers capable of using heating oil or gas. Merrill Hall is the main administrative services building at UMF and includes the President's Office, Financial Aid, Student Accounts, Registrar's Office, Human Resources, and others. It also is the
The current boiler is more than 75 years old and is beyond its useful life. It currently consumes approximately 18,608 gallons of heating oil annually and is operating at 65-70 percent efficiency. A third-party analysis indicates the proposed dual-fuel boilers currently are estimated to save approximately $175,000 overall, including $700,000 in energy costs, over 30 years vs. replacement in kind of an oil-only boiler. The new high-efficiency boiler is expected to operate initially at 85 percent efficiency. This project also will include the installation of remote digital controls and radiator conversions throughout the building. UMF has identified E&G reserve funds to pay for the project. The project is estimated for completion in calendar year 2013 with most of the construction occurring during that summer.

On a motion by Trustee Hood, which was seconded by Trustee Hadyniak, the Finance/Facilities Committee agreed to forward the recommendation of the Merrill Hall Boiler Replacement at UMF to the Consent Agenda for action.

Land Acquisition by Gift, UMM. Trustee Collins explained that the University of Maine at Machias requested Board approval to accept approximately 200 acres of undeveloped land abutting the campus as a gift from the estate of Elizabeth DeShon Tibbetts, Washington State Normal School Class of 1937. Elizabeth DeShon Tibbetts died Dec. 9, 2012. She was born April 3, 1917, in Machias. The last will and testament of Mrs. Tibbetts states this gift is in honor of her parents, H. Clifford DeShon and Kathleen M. DeShon, who were closely associated with the Washington State Normal School, now UMM.

UMM currently operates from approximately 44 largely-developed acres. The gift is undeveloped forested land and blueberry barrens. Initially, UMM intends to use the new property for academic field work, such as recreation management and plant biology. In the longer term, expansion of campus facilities, such as athletic fields, could be a possibility. An appraisal and Phase One environmental assessment are in progress. The sale or other conveyance of the property by UMM is prohibited in the will, which also states the property shall pass to the municipality of Machias should any such conveyance by UMM occur.

On a motion by Trustee Murphy, which was seconded by Trustee Medd, the Finance/Facilities Committee agreed to forward the recommendation of the Land Acquisition by Gift at UMM to the Consent Agenda for action.

Mantor Green Geothermal Well Field Construction, UMF. Trustee Collins explained that the University of Maine at Farmington requested Board approval to expend up to $1.55 million to install an estimated 80 geothermal wells in the space on campus known as the Mantor Green and to connect that energy source this year to approximately 52,374 square feet of existing facility space. The project is expected to eliminate the consumption of approximately 28,000 gallons of heating oil in the near term, cut operating costs and reduce emissions. Ultimately, with additional connections to other facilities, the project could support the reduction of approximately 62,500 gallons of oil. The immediately involved facilities are Preble Hall, Thomas Auditorium, Ricker Hall and Ricker Addition. Approximately 45 percent of the proposed project cost is associated with the near-term facilities. The estimated simple payback based on that portion of the cost for those facilities is approximately 8-to-10 years when compared with continuing to use oil.
While construction crews are mobilized and the campus grounds already are disrupted, additional and sufficient capacity would be installed at the Mantor Green well field to provide energy to additional facilities. These additional facilities would include the Mantor Library, the Computer Center and three additional UMF Main Street buildings in addition to the other above-referenced facilities. These facilities are not expected to be connected to geothermal as part of the project currently seeking approval. It is that later work involving these additional facilities, which would lead to the estimated reduction of heating oil consumption of approximately 62,500 gallons.

The University of Maine at Farmington has identified E&G funds for this $1.55 million project and, upon approval, would expect to construct the well field and complete the project during calendar year 2013.

On a motion by Trustee Hadyniak, which was seconded by Trustee Medd, the Finance/Facilities Committee agreed to forward the recommendation of the Mantor Green Geothermal Well Field Construction at UMF to the Consent Agenda for action.

Updates on Outcomes Based Funding and Administrative Reviews. Ms. Wyke stated all three projects which include the final recommendations from the Outcomes Based Funding Model, the final recommendations for the Redesign of Information Technology Service Delivery and the Conceptual Design for Procurement were part of the Board of Trustees Goals and Actions approved January 23, 2012. All three projects are under the jurisdiction of the Steering Committee which reviewed these recommendations. These projects were also reviewed by the Presidents’ Council and received a unanimous vote by the Finance & Facilities Committee on January 15, 2013, and moved to the Consent Agenda of the full Board Meeting on January 28, 2013.

Outcomes Based Funding Model
The intent was to find a means of linking State Funding with State priorities to incent outcomes and promote accountability. The goals that where identified in June 2012 were to increase the educational attainment levels of the working-age population of the State, meet the workforce needs of Maine employers, improve the productivity of UMS institutions and contribute to the economic development of the State. The metrics were the work of the Review Team of Outcomes Based Funding and they put forward recommendations for the following metrics:

- Degrees Awarded - includes a premium for priority populations which are adults and transfer students, a premium for priority fields in STEM and Allied Health and also a regional need to be identified by each campus.
- Credit Accumulation – it will serve as a temporary metric for degrees awarded and would be phased out over a three year period.
- Productivity – is measured as the number of degrees awarded per $100K of State appropriation and net tuition and fees as scaled by matriculated FTE.
- Research & Development – only for the UMaine and USM and will be the number and amount of actual awards to include a premium for awards with Maine partners.

Other recommendations include that 5% of State Appropriations would run through the model in the first year increasing by 5% each year until it reaches 30% in year six. Seventy percent (70%) of the State Appropriation would continue to flow through the historic formula and new increases in State Appropriation should run through the Outcomes Based Funding Model and that the Model should be reviewed annually and updated as appropriate.

An additional recommendation is for a one year moratorium in fiscal year 2014 on the Strategic Investment Fund (SIF) to ease the financial situation of the UMS universities in this coming fiscal
year given the tuition freeze, flat appropriation, and also implementation of this new formula. During
the one year moratorium the SIF will be revamped to ensure that it meets the strategic purposes
intended to serve the State’s needs.

Redesign of Information Technology Service Delivery
The aggregated data depicts:
- 225 FTE in Information Technology (IT) personnel in both central IT departments and within
  non-IT departments
- $24.2 million in IT costs through central IT departments
- $7.5 million is estimated IT spend within non-IT departments
- 55% of expenditures are salary and benefits costs of employees

The Chief Information Officer’s (CIO) recommendation supports a new approach to governance in
order to achieve an annualized savings of $3.3 million by fiscal year 2016. This is to establish the
CIO has the authority to management all UMS Information Technology resources, make commitment
and decisions and to be responsible for meeting the outcomes in service and performance.

The key attributes of an optimal system for delivery of IT include increase focus on academic
technology, locate services close to students and faculty, flexibility, innovation, quality,
accountability, and affordability. The goal is to create a seamless IT delivery system which is
responsive to the needs of students, faculty, leadership, and administrators. To do so the delivery
system must place services close and highly accessible to the end user; provide for quality,
innovation and flexibility; operate efficiently and at reasonable cost; and deliver a responsive and
satisfactory user experience.

Conceptual Design for Procurement
The three items that emerged as part of that Review Team were procurement of specific goods and
services, purchasing card administration, and structural organization.

**Procurement of Specific Good and Services** – The Review Team built off of prior and
current reviews and is looking at establishing mechanisms for the continuous flow of
improvements including exception processes that provide flexibility for unique procurements
and to develop a better process for promoting communication from the shoppers about
business services and where additional savings could be obtained.

**Purchasing Card Administration** – Unify the administration of the purchasing card program
by redefining it as a single System-wide program. Continue to ensure the availability of the
purchasing card as a purchasing tool in the context of Board Policy and statutory obligations
that establish competitive public procurement as the standard procurement method of the
UMS.

**Structural Organization** – To establish single unified strategic procurement structure as a
System-wide service. Eliminate duplication and fragmentation of effort, reduce full-time
equivalent position count, improve services and strengthen support.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk