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

**Procurement Administrative Review Team Final Report.** Mr. Chip Gavin, Director of Facilities Management and General Services, reviewed the final report for the Administrative Review for Strategic Procurement. The Final Report represents the culmination of approximately eight months of research, review, brainstorming, consideration and outreach by the Administrative Review Team for Strategic Procurement. The team was and is comprised of individuals from large and small universities within the System. The team was charged with reviewing Strategic Procurement pursuant to a formal January 2012 directive of the Board of Trustees. That directive challenged the System to examine administrative costs and structures at all levels and to bring forward recommendations to improve administrative efficiencies and services so that savings might be reallocated from administration and infrastructure to be invested in the mission of the University System.

**Outreach Activity**
This work included outreach and communication across the University of Maine System. Throughout the process, the team has provided updates and received guidance from the Presidents’ Council, the Shared Services Advisory Council, the Administrative Review Steering Committee and the Finance and Facilities Committee of the Board of Trustees. The team offered presentations and on-site feedback sessions at all campuses, conducted an online feedback survey, provided a mechanism for general feedback opportunities, and adopted other mechanisms to share ideas and solicit input. Hundreds of people were engaged in the dialogue. The team extended its thanks to everyone who participated. While uniformity of opinion would not be expected in such a broad and vibrant community, all participation was very much appreciated and valued by the team. Feedback from beyond the immediate team resulted in substantive changes in the project and in the content of this report.

**Recommendations**
Procurement today is a generally fragmented activity under a uniform set of laws and policies but with varying interpretations, practices and specific procurements across the University System. Approximately 45 positions (nearly 35 FTEs) have been identified as working in this functional area across the System which has an estimated addressable spend on goods and services of approximately $100 million. The current status, while rife with dedicated, diligent individuals, presents substantial challenges to leveraging the University’s buying power, developing expertise within the existing structure and providing timely, consistent support to those trying to navigate the process to procure the goods and services needed to carry out the University’s mission.
The report advances 20 specific recommendations to streamline, better coordinate and improve service while reducing costs in three major initiative areas:

1. The Procurement of Specific Goods and Services;
2. Procurement Card Administration; and,
3. Structural Resources and Efficiencies.

Ultimately these recommendations are intended to translate into savings pursuant the original directive of the Board of Trustees. The total savings across all funds and all years through FY2016 is estimated to be generated primarily from the category of recommendations focused on the procurement of specific goods and services, including travel and the management of travel-related expenses. This category is about trying to spend less to obtain the goods and services needed by those carrying out the mission of the University System, while maintaining or improving quality and service levels.

Though this represent a relatively smaller portion of the direct savings, the structural changes identified in this report are critical to carrying out the broader array of recommendations. It represents unification of critical procurement functions, but with personnel located in key strategic locations throughout the enterprise. The recommendations do contemplate an overall reduction of about 10 percent in cost of the structure and positions dedicated to procurement activities compared with current levels. The particulars of those structural changes are a sensitive and serious matter that will need to be a top priority during any implementation phase.

Three new functional areas will comprise the new procurement structure:

1. Procurement Operations (including Accounts Payable);
2. Procurement Services (including training and support); and
3. Strategic Sourcing.

While the positions within those centers of excellence will be aligned in their functional purposes and will have a clear, streamlined reporting and accountability structure, the team expects geographical location will be determined by function and other factors. In no case is it expected that a single physical location would best serve all the functions of this new structure or its customers. Some functions may require a critical mass of positions to be co-located at one or more sites yet to be determined. The existing AP shared services physically located at the University of Maine forms a strong nucleus for one of the proposed centers of excellence, for example. Other functions will be best located as close as possible to the customers being served.

The team recognizes and suggests these structural recommendations and all the recommendations in this report will need to proceed with abundant communication, as transparently as is practicable and in close collaboration with the Chancellor, Presidents and many additional stakeholders and constituencies impacted by, involved with or interested in these recommendations.

Defining and Measuring Success

Success will lead to a single, System-wide procurement function that acts strategically to support and not hinder the mission of the University System which:
- operates more efficiently and with less paper than is required today;
- reduces redundancy and inconsistency in procedures and practices;
- improves training, communication and user support;
- costs less to operate; and,
- obtains the goods and services needed by the University for less total cost than they are today.
Savings
If implemented, this report estimates all of these recommendations would achieve a total accumulative savings and avoided costs of more than $5.3 million through Fiscal Year 2016 across all funds when compared with continuing with current practices and structures. The portion of that amount estimated to occur in Education and General (E&G) funds accumulates to $2.9 million.

On a budgeted basis, after estimated necessary investments, the net savings for E&G is estimated to be more than $1.6 million through FY2016, including approximately $160,000 in FY2014, $832,000 in FY2015 and $661,000 in FY2016.

Result of University System-Wide Survey
During February 1-13, 2013, the University community was invited to participate in an on-line survey to review the 20 emerging recommendations, indicate their level of support, and offer comments, concerns and suggestions. In all, 243 individuals responded to the survey with strong participation from UM and USM and a majority of the respondents either “support” or “strongly support” all of the recommendations put forward. Concerns and suggestions focused on the need for flexibility, on-going communication, ease of use, and adequate training and support; concepts which are guiding principles for this initiative.

Trustee Fournier commended the Review Team for their extensive work on this project.

On a motion by Trustee Johnson, which was seconded by Trustee Medd, the Finance/Facilities Committee agreed to forward to the March 18, 2013 Consent Agenda for approval the recommendation for the final report for the Administrative Review for Strategic Procurement.

Series 2013 Revenue Bond Refunding. Ms. Tracy Elliott, Director of Finance and Controller, presented preliminary fiscal highlights of the proposed Series 2013 Revenue Bond Refunding with action to be taken by the Board at its meeting on March 18th. With interest rates at historical lows, the University of Maine System proposes to issue revenue bonds to refinance several of its prior bond issues as well as the costs associated with the issuance.

The refinancing will issue tax-exempt fixed rate bonds to currently refund the 2000A and 2003 bonds and advance refund portions of the 2004 and 2005 bonds. The System will issue approximately $68 million in par value bonds at a premium of $10 million and will liquidate a portion of its 2000A debt service reserve fund. The sources of funds will be used to refinance the $75 million of prior debt, re-amortizing it over 22 years through 2035. Net present value savings are currently estimated at $5.6 million but this is subject to change based on market conditions and other tax compliance considerations.

The University of Maine System has a statutory debt ceiling of $220 million and as of June 30, 2012 the System had $148 million in statutory debt outstanding giving the System debt capacity of approximately $72 million. Debt capacity is largely unaffected by this bond deal with only minimal change due to rolling in the costs of issuance and other financing costs.

Bond Counsel will present additional required information at the Finance/Facilities Committee at its meeting on March 18, 2013. The bond refinancing will be presented then for approval and, if approved, forwarded to the Consent Agenda.
**Jewett Hall Roof Replacement, UMA.** Trustee Fournier and Mr. Gavin explained that the University of Maine at Augusta requested approval to expend up to $540,000 to replace the roof on the classroom and administrative wings of Jewett Hall and to complete associated capital renewal work. Constructed in 1970, Jewett Hall is the original classroom building on the Augusta campus. The building is a two-story, 40,000 square foot classroom and administrative building with an auditorium and art gallery. The two-story science classroom wing was added to Jewett Hall in the late 1980s. The auditorium roof was replaced in 2003. No other roof replacement has been done, making the remaining roof areas at least 25 years old and in some areas more than 40 years old. The roof is currently allowing water intrusion into the building. Testing has confirmed that certain common hazardous material remediation will be required as part of this project and will be addressed as necessary. Parapets and other components of the building associated with the roof will also be addressed as necessary.

Both the classroom building and the science wing have estimated renovation ages in the 25-50 year category. The largest portion of the facility has an estimated net asset value of 33 percent, while the science wing is at 77 percent. The project cost is estimated at $540,000. UMA would intend to bid the roof replacement project this spring and to complete the work prior to the start of the next academic year. E&G funds have been identified by UMA for this project.

On a motion by Trustee Collins, which was seconded by Trustee Murphy, the Finance/Facilities Committee agreed to authorize the University of Maine at Augusta to expend up to $540,000 to replace the Jewett Hall roof.

**Memorial Gym and Fieldhouse Complex Increase, UM.** Trustee Fournier and Ms. Janet Waldron, Senior Vice President for Administration & Finance, explained that the University of Maine requests to increase the scope and approved maximum expenditure for the existing Memorial Gym and Fieldhouse Complex Project (#5100255) by approximately 7 percent or $1 million to a new total of $15 million. The Board of Trustees in November 2011 approved the project for $14 million. That cost currently is funded primarily from a state revenue bond of $7 million and private donations of $7 million. The project is presently in the design phase with a planned construction start date of May 13, 2013. Construction is expected to be completed in time for the fall 2014 season with the Fieldhouse portion of the project being completed by the end of calendar year 2013. As of the current capital project report to the Board, approximately $700,000 had been expended. This current request reflects the University's intent to take advantage of the existing construction project to incorporate several separately-planned and more routine capital renewal projects which also are occurring in the same facility. These improvements include additional exterior and interior painting, replacement of roofing and repointing masonry surfaces.

The University anticipates some of this additional work will be done by its own staff while other components of the work will be completed by the construction manager who the University is securing for the overall project. This approach is intended to reduce time and project overhead, and to ensure smooth coordination of work on the project site. The University has identified E&G funds for this request.

On a motion by Trustee Johnson, which was seconded by Trustee Turner, the Finance/Facilities Committee agreed to forward to the March 18, 2013 Consent Agenda for approval the authorization for the University of Maine to update the scope of the Memorial Gym and Fieldhouse Complex Project and to expend an additional $1 million for a new maximum total of $15 million on its completion.
**Integrated Workplace Management System Project Update.** Mr. Gavin requested authorization to expend as much as $2.22 million to acquire and implement an Integrated Workplace Management System to support facilities management System-wide. This project was formally supported by the Shared Services Advisory Council in April 2010. It has been repeatedly recommended by the University’s outside facility consultant, Sightlines, in its annual report to the System. It was called for in the University’s New Challenges, New Directions report. Most recently, the University of Maine’s 2012 Blue Sky Project plan calls for such a system and for it to be in place by 2017. Various additional reports have likewise called for this project to be done.

Benefits of this technology project would include:

- streamlining the electronic systems which support facilities management system-wide;
- improving decision-making and planning information;
- eliminating four stand-alone and duplicative legacy computer systems;
- integrating facilities management with existing enterprise-wide financial systems;
- reducing administrative effort associated with facilities management;
- targeting the investment of limited existing resources to where they can be of most advantage.

This proposal and its costs have been closely coordinated with the Chief Information Officer (CIO) and his team. The CIO has reviewed and supports the project and the approach. The costs and the benefits of this project have become clearer since 2010. Both the costs and estimated benefits have increased while the simple payback had remained essentially the same at approximately 5 to 7 years from the start of implementation, including one-time start-up costs and the ongoing sustainment costs. This estimated return is based on achieving efficiency gains of $0.09 per gross square foot and improving the ability of the University to focus on preventative and planned maintenance rather than reactive or demand work.

This project will be discussed and approved at the Finance/Facilities Committee at its meeting on March 18, 2013 and if approved forwarded to the Consent Agenda.

Adjournment.

Ellen Doughty for
J. Kelley Wiltbank, Clerk